

A USEFUL LOOK AHEAD FROM

DECEMBER 1973

# Nation's Business



**THE '74  
ELECTIONS:  
ISSUES  
THAT WILL  
AFFECT  
YOUR VOTE**

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You're in good hands.

# Nation's Business

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## memo from the editor

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If you were asked what issues will most affect the '74 elections, chances are that Watergate would come to mind.

That's not, however, the opinion of the chairmen of either the Democratic or Republican National Committees.

To assess what the issues will be, we questioned both of them. You will find their opinions detailed in the article beginning on page 22.

Sure, Watergate will probably have some effect. Democratic Chairman Strauss naturally thinks the impact will be greater than Republican Chairman Bush does. But neither thinks it will be decisive. After all, the candidates for office in Congress or elsewhere who are being elected next year had little, if anything, to do with last year's political shenanigans.

Interestingly, both chairmen agree there is some danger that the public attitude toward politics as a whole has been damaged. But both insist that our system is extremely strong and, in fact, may have been strengthened by our troubles.

Mr. Strauss says: "We must convince people that this system of ours is working better than they think."

"I am amazed at how resilient the system is and how much it can absorb in the way of shocks. If anything good has come out of this horrible, outrageous mess it is the certain knowledge that the system works."

Mr. Bush puts it even more strongly: "I am confident that, when this whole Watergate thing is over, people are going to say we have a pretty damn special system. It works and it doesn't stop in high places."

"Justice is really an interaction of several entities—the courts, press, committees of Congress—which have a way of cleansing our system. People don't see that now because we're wringing our hands over problems of the moment."

. . .

You will also be interested in another article of prime importance starting on page 40.

It is a special report on a four-week mission to Asia and the Pacific by Arch Booth, Chief Executive Officer of the Chamber of Commerce of the United States and Publisher of *Nation's Business*.

Mr. Booth and two Chamber staff members visited 10 cities in eight countries plus the British crown colony of Hong Kong.

The purpose was twofold: (1) To make a brief but comprehensive assessment of the trade and investment challenges and opportunities facing American business



in these key economic regions, and (2) to continue strengthening and improving the National Chamber's organizational relations and communications with American chambers of commerce abroad. These AmChams are a key segment of the National Chamber federation and serve in a very real sense as the eyes and ears of American business interests abroad.

The mission to the Asian-Pacific area centered on an intensive series of meetings with the officers, directors and members of nine American chambers of commerce and their regional organization—the Asian-Pacific Council of AmChams. Mr. Booth also held discussions with host country government officials and business leaders as well as American ambassadors and their staffs.

That's Mr. Booth on the right in the photo, with Robert Ingersoll, our ambassador to Japan.

*Jack Woodbridge*



# COMPETITION.

## To stay sharp, every business needs it.

If you're in business, you know the value of competition. It hones your skills. The whole idea of trying harder springs from the spirit of competition. And your company is a better company because of it.

Competition in the *insurance* business works to your benefit, too.

You can buy business insurance written by scores of different private carriers. That's not only good for you to know—it's good for all those insurance companies to keep in mind.

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and competitive pressure.

Without competition, many of the programs insurance companies have developed in the areas of loss prevention and loss control might not even exist today.

But some people lean toward the idea that the government should be the sole supplier of certain kinds of insurance. We believe that would *weaken* insurance service. Who would set the competitive pace?

We've earned the reputation of being "good people to do business with." Competition is helping to make us *better* people. And we're not only willing we're downright eager to compete for business. Including yours.



### Come to the source

**Employers Insurance of Wausau**  
Wausau, Wisconsin





## executive trends

BY JOHN COSTELLO  
Associate Editor

### Doing the corporate Christmas shopping?

Want to round out your line of plastic sitz baths? Maybe by acquiring an aluminum widget maker?

Or perhaps you're in the market for a chain of pizza parlors. It will help diversify your small loan business.

You can't be committed for mental treatment because you have the urge to merge.

But do go slow, one expert advises.

Victor Harold, author of "A Checklist Guide to Successful Acquisitions," Pilot Books, New York, N.Y. 10016 (\$2.50), lists some 300 questions you should ask yourself first. Like these:

1. What are the real reasons why the owner wants to sell?
2. How would your company benefit from the merger?
3. Are the other company's products on the edge of obsolescence?
4. How much more working capital will the merger require?
5. Are the facilities for expansion adequate?
6. Is the deal priced right?
7. Can it be financed?
8. What will it cost to bring your new employees into your pension plan?
9. Will key managers stay with the new company?

The last query may belong at the top of the list.

"It is amazing how often questions about the corporate work force are glossed over or ignored by top management contemplating a merger," says Roy W. Walters, president, Roy W. Walters & Associates, Inc., New York management consultants.

"No competent management would lead a company into a merger or acquisition without a thorough check of markets, product lines, capital assets, receivables and other vital sta-

## A new generation

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## executive trends *continued*

tistics of the prospective partner.

"But management persists in ignoring the human capital of a firm—and that can spell trouble for the long haul."

### Stretching your travel dollar

It's not rubber, but it does have a little give.

Pan American World Airways has some helpful hints on how to get maximum mileage from it abroad.

1. Ask about traveler's checks—not in dollars but in the currency of the country where you'll visit. Sometimes, you can get a better deal.
2. Cash traveler's checks at a bank—not your hotel or restaurant. You'll always get a better deal.
3. Don't tip twice. Hotel and restaurant bills overseas often already include a healthy service charge.
4. Stay where the natives stay. You can live better for less if you avoid U.S.-style hotels—and tourist-trap restaurants. And try smaller towns, instead of the big cities.
5. Drink what the natives drink. Mint juleps and dry martinis often come high and taste low.
6. Shop like the natives shop. If you must buy, get something worthwhile—Italian leather, Irish sweaters, French perfume, Japanese porcelain—not shoddy souvenirs. And don't shop on the main drag. Head for the side streets the home folks haunt.

### Everyone's business partner—Uncle Sam

He's like a stockholder who owns a big slew of preferred shares.

Out of every \$1 of company profit, he gets the first cut—about 50 cents in taxes.

Then, to finance growth, the average firm keeps half of the remaining 50 cents for capital.

So regular stockholders, like you, get the 25 cents that's left.

But, if you're a typical investor, you're in the 40 per cent tax bracket. So Uncle Sam winds up with 10 cents of your 25-cent dividend—and you wind up with 15 cents.

Out of the original \$1 of profit, 60 cents goes to Washington.

The Boston Consulting Group, Boston, Mass., which brings this cheerful reminder, says there's a lesson here. Namely, Bruce D. Henderson, president, explains:

"If the U.S. government is unable to rationalize its tax policies, the financing of [company] growth by debt should be a far more attractive and significant strategy."

At least interest on the debt's deductible.

### Cutting costs of shipping parts

John Deere & Co. found a way.

Its Syracuse, N.Y., depot was selling \$8 million worth of parts a year. It sent them to dealers over a nine-state area.

Usually, it shipped the parts in wooden box pallets.

Then it switched to corrugated, throwaway containers.

Its move cut shipping costs and saved on storage. Space filled by only 72 wooden pallets easily handled 1,000 folded throwaway containers.

That's only one of many possibly helpful ideas described in a new book: "Physical Distribution Case Studies" (Cahners Books, Boston, Mass. 02110. \$15).

Others, for example, include how:

- American Smelting and Refining Co. pared costs with bulk shipments.
- Avon Products solved problems that come with thousands of small shipments to an army of sales reps.
- Liggett and Myers gives same-day or next-day delivery to some 5,000 customers.

The book tells what 42 leading companies did to apply the modern systems approach to distribution. They range from firms like those above—and Western Electric Co., Giant Food, Inc., and Eastman Kodak Co.—to smaller companies like the William F. Carter Co., an old New England maker of undies and baby clothes.

"Internal managements have viewed with caution the total systems approach to distribution," the foreword points out, "and some still do."

Managements that tried the approach, it makes clear, don't regret it.





You've worked your factory down to the core.

You've shipped thousands of yards of hot carpet orders. Now your tufting machines are beginning to cool off. And so are your orders.

A great time to stock up on greige goods and do some expanding. Buy a couple of new pattern machines. And a new cut order machine. Maybe even build a new stock room.

But that takes cash. And your customers are walking around with most of yours.

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## Time to call Talcott.

One of your salesmen at the carpet market just landed an order for 5,000 yards.

Ship in 2 weeks or forget it. And you've only got 1,000 yards in stock.

A beautiful problem all right. But it will take more than fancy tufting to solve it.

It'll take 8,000 lbs. of yarn. Fast. And money to pay for it. And 4,000 sq. yds. of jute backing. And another 4,000 of rubber. And money to pay for it.

And wouldn't you know it. Your receivables are plush. But your bank balance is threadbare.

Time to call Talcott.

We're set up for seasonable buying. We can get you cash fast, maybe within 24 hours. We can even pay you cash for up to 90% of your receivables. And once the merchandise has been shipped, we'll even do the collecting.

There are many ways we can help.

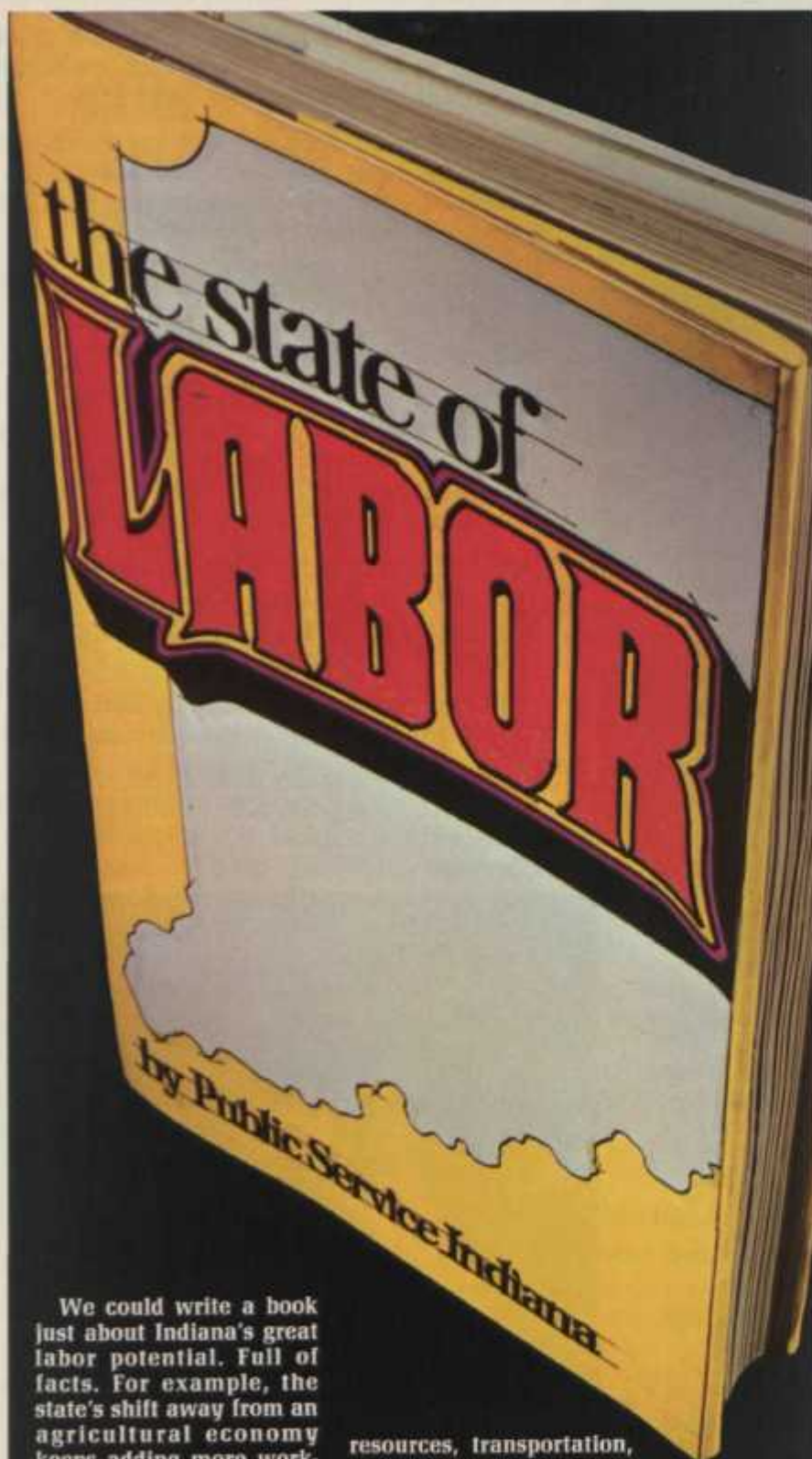
The key thing is to get you cash fast. So when a hot order for carpet flies in, you can land it.

Without going into a spin.



## Still time to call Talcott.





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Another fact: Indiana produces more doctorates than 43 other states.

One more: The entire highly diversified, highly educated Indiana workforce has grown 19% since 1960.

Actually, we wrote a book. And the state of labor is just one chapter in it. Others cover raw

resources, transportation, area comparisons, cultural advantages and more.

Read up on Indiana. Write for your copy to Gerald S. Dailey, Area Development Manager, Public Service Indiana, Plainfield, Indiana 46168. Or call (317) 839-9611.



PUBLIC  
SERVICE  
INDIANA

## Avoiding a Nuclear Energy Gap

Private enterprise, a Congressman thinks, can do the trick

According to the latest scenario, on Jan. 1, 1975, the Atomic Energy Commission will stop taking new orders for enriched uranium, the nuclear power plant fuel.

By then AEC will have committed all of its projected production capacity to plants now in existence or scheduled to be in operation by 1983.

Unless capacity increases, electric utilities will be unable to plan more nuclear-fueled plants.

As a matter of fact, industry experts say production must be expanded 40-fold if the U.S. is to meet the ultimate world-wide demand for enriched uranium. Presently, this country has a virtual monopoly in production, and 40 per cent of what it produces—all comes from AEC—goes abroad.

One way to meet demand would be to enlarge AEC's three giant enrichment plants in Oak Ridge, Tenn., Paducah, Ky., and Portsmouth, Ohio, which use the gaseous diffusion process, or to build more such plants.

AEC proposes to up the output at its existing diffusion-type plants by technological improvements, which would cost about \$850 million.

Even though this would add about 54 per cent to current production, by the early '80s, the demand would still exceed supply.

But Rep. Craig Hosmer (R-Calif.), a member of Capitol Hill's Joint Atomic Energy Committee, thinks there is a much better solution—bringing in private industry and trying a promising new centrifuge process which requires one tenth the power of diffusion plants.

To avoid a "nuclear energy gap,"



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14. Your service to your customers becomes more dependable.



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7. \_\_\_\_\_

Ryder, I'm still not convinced that my company would be better off leasing than owning but I want to know more.

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PHONE: 404/521-3400

## Nuclear Energy Gap *continued*

he says, the federal government should get out of the enriched uranium business, turning over new customers to private industry, which would build the centrifuge plants.

AEC is building a \$21 million pilot plant to evaluate the centrifuge process. The plant, slated to start operations in fiscal year 1975, is expected to be able to compete price-wise with the diffusion system.

Initially, he would have AEC transfer its production facilities to a Tennessee Valley Authority-type government corporation, which he would call the U.S. Enrichment Corp., but private firms would get into enriched uranium production, too—and in a bigger and bigger way.

The Atomic Energy Commission built its three enrichment plants between 20 and 25 years ago. Originally, they turned out uranium only for atomic weapons, but the military need for fissionable material greatly diminished after the hydrogen bomb—which depends on fusion, not fission—was invented. The plants began operating at a fraction of capacity.

Then, as atomic power for utilities became feasible, production increased to meet demand. Demand has kept on rising, though environmentalists' opposition to nuclear power plants has held it back somewhat. Currently, 37 atomic power plants are operating in the U.S., 57 are being built and 89 are planned.

### The moment of truth

What with the current gasoline, heating oil and propane shortages, Rep. Hosmer has found it difficult to generate much concern over the envisioned shortage of enriched uranium. "But we're getting down to the line," he warns.

In the event further AEC capacity isn't built—and AEC has no firm plans for new plants yet—one solution would be to close the door to foreign customers. It's an unlikely solution. Other countries are expected to take a growing proportion of U.S. production, and Mr. Hosmer sees those export dollars counterbalancing the outflow of dollars used to purchase foreign oil.

The market through the year 2000 is stupendous: An estimated \$23 bil-

lion worth of enriched uranium will have been purchased by domestic utilities and \$33 billion by foreign utilities—if it's available.

It's perfectly legal for private industry to get into the uranium enrichment business, and the government has encouraged it to do so. However, the high capital investment needed has been a deterrent.

Another deterrent has been the prospect of the breeder reactor. This is the ultimate in nuclear power plants—a facility that not only will rejuvenate its own power but will produce an excess that can go to fuel new plants.

### A breeder breakthrough?

Experts predict it will be 50 to 60 years before the breeder reactor supplants uranium enrichment, but private investors are aware that a technological breakthrough could upset that timetable. After all, it happened to AEC in the case of the discovery of the fusion process that led to the H-Bomb.

But Rep. Hosmer is not counting on a breeder breakthrough to materialize in the nick of time. An ensured supply of enriched uranium, obtainable by establishing the TVA-type corporation, is needed, he says.

To stimulate private enterprise, this corporation, USEC, would assure nongovernment plants a market by simply not constructing added capacity. As private industry enters the field and builds the capacity needed to serve potential customers, USEC production would remain static. Conceivably, USEC could eventually sell its assets to private investors, retaining only the enriched uranium capacity required for military uses.

Two U.S. consortiums reportedly are seriously considering building enrichment plants—General Electric/Exxon, and Westinghouse/Union Carbide/Bechtel.

Firms interested in selling centrifuges and other components for new plants include Garrett, Goodyear, United Aircraft, Electro-Nucleonics, Hercules Powder and Burns & Roe.

Rep. Hosmer has asked AEC to see if TVA's charter could be modified for his proposed USEC, and plans to introduce a bill soon to establish such a corporation. **END**



## panorama of the nation's business

By VERNON LOUVIERE  
Associate Editor

### Firestone Solves a Museum's Problem

There's an acute tire shortage of sorts in Washington but it won't affect anybody driving the family flivver.

The shortage is at the Smithsonian Institution, which is restoring historic airplanes to be displayed in the National Air and Space Museum, now under construction.

Original tires on most of the vintage aircraft brought in for restoration are so old and brittle that they cannot be used for exhibit purposes.

"Most of the major rubber companies we've talked to simply do not have the tire molds anymore," says Donald K. Merchant, head of the museum's Preservation, Restoration and Storage Division.

The Firestone Tire & Rubber Co., however, agreed to help. It made the original tires for one of the planes in question, a Curtiss F9C-2 Sparrowhawk, the only survivor of eight such observation planes. The Sparrowhawks were carried in the bellies of

Akron and Macon dirigibles in the early Thirties.

While Firestone no longer had the mold for the original tire, it took two of its 8.50 x 10 aircraft tires in current production and shaved them down to 7.50 x 10, the size used by the Sparrowhawk.

"In those days, aircraft tires were without tread designs or tread grooves, so in the restoration process Firestone had to shave and contour the two tires to exact specifications," Mr. Merchant explains. "It worked beautifully."

The Smithsonian has a number of other old aircraft where tire replacement also is a problem. It would welcome help from other tire manufacturers.

"We are in business to preserve the history and technology of flight," Mr. Merchant says. "History can be preserved to a great extent by photographs and writings, but technology is best preserved by properly maintaining the original artifact. Therefore, just looking like the real thing is not good enough."



A needed new tire will add authenticity to an old plane.

*Extra photos are filed under Rubber*

Aside from tires, the Museum has generally been able to find replacements for other parts of these historic aircraft.

Where it is not possible to obtain an original part, Mr. Merchant says, "every effort" is made to duplicate it, and all deviations from the original are noted so technological researchers "will not be led astray in the future." •

### Survey Gives a Boost to On-the-Job Training

More than 1,200 New York City employers are cooperating in a unique computer program to make job-hunting and career training easier for college students.

The project has been launched by the Borough of Manhattan Community College, in conjunction with Dun & Bradstreet, Inc.

D&B is surveying the 1,200-plus businesses and institutions to determine the occupational titles of jobs they offer, what educational achievements are required, if they have on-the-job training, and a multiplicity of other data in the employment area.

This information, fed into a data bank, will be used by the college in

its Cooperative Education Program, which seeks opportunities for students to get on-the-job training in local businesses while attending school.

The project is an offshoot of a career-service program D&B developed several years ago for its clients. If the Manhattan Community College experiment succeeds, says D&B, similar projects could be undertaken by other colleges in large metropolitan areas.

P.J. Proctor, D&B vice president in charge of national credit, who serves as project consultant, says: "It provides students with a better sense of career direction. Employers benefit from the availability of individuals who are trained for—and motivated toward—specific careers. That should mean substantial reductions in train-

ing costs and employee turnover."

Before launching the project at the Manhattan school, D&B sought comment from more than 100 educators in New York, New Jersey and Pennsylvania and from some 400 employers around the country.

Favorable comment was almost unanimous among the educators, and most of them urged such a project be started. Reaction among the businessmen was equally favorable.

"If the program proves successful, it could easily be broadened to include ancillary services, such as an annual measurement and forecast of specific jobs within given regional areas, which could be of great benefit to schools in changing curricula to meet employment opportunities," Mr. Proctor says. •

*continued on next page*



## An Architect's Role in Revitalizing Cities

John Portman decided early in his career as an architect that he wouldn't be content with minor remodeling jobs and designing little homes. Instead, he would go after big projects and not only design them but build them.

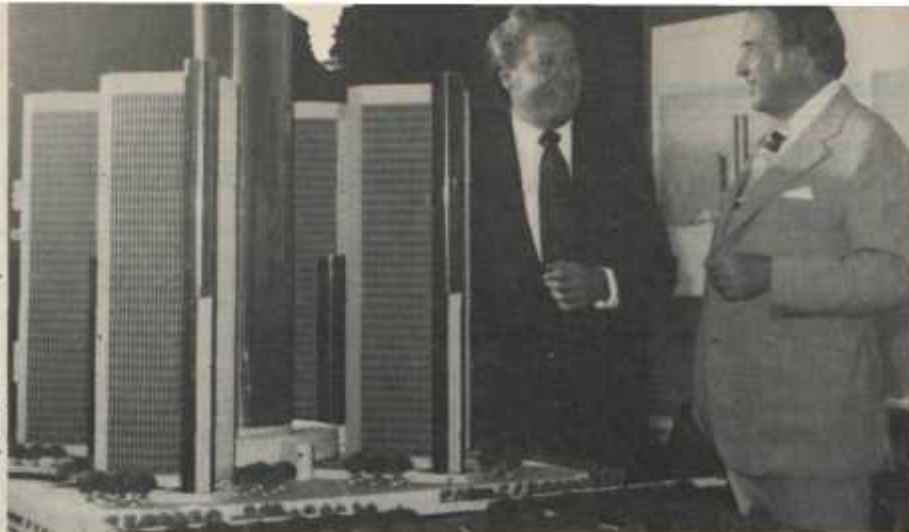
It dawned on him one day, he says, that "if I came up with the idea, selected the location, designed the facility and sought and obtained financing, there would be no question as to who would be the architect."

He adds: "That sounds humorous, but it is true. That's exactly how it happened."

That was 1953. Mr. Portman's first attempt was a co-op medical building. While it won an award and was an architectural success, it was a promotional fiasco. In other words, a failure.

Today, John Portman, at 49, is an internationally-known architect and developer. He concentrates on revitalizing decaying downtown sections of great cities.

His work can be seen in Ft. Worth, Los Angeles, Chicago, London, Paris



John Portman (left) and Henry Ford II with an architectural model of the first phase of the \$500 million Renaissance Center in downtown Detroit.

and Brussels. But he is probably most famous for his development of the \$200 million Peachtree Center in Atlanta, Ga., his home town and base.

He now is working on the \$500 million Renaissance Center in downtown Detroit, inspired largely by Henry Ford II. It is a 32-acre project in a run-down riverfront section that will include a 70-story hotel, offices, apartments, stores and entertainment facilities. In San Francisco, Mr. Portman is developing the \$200 million Embarcadero Center. A 54-story, \$150 million Portman-designed hotel is going up on Broadway in New York.

"There is no way that we can just go away and leave the cities," he

says. "The critical need in every nation is to restructure existing urban areas in a way that they become vital and viable in light of a new social condition."

"I think that architects offer a hope of creating some kind of order out of this chaos, but they can't do it unless they broaden their base, unless they become respected by businessmen, administrators and financial institutions as persons who are not only creative but also pragmatists...."

"The architect, from the standpoints of culture and education, is more qualified to be the leader of physical development in this country than anyone else." •

## GE Vice Presidents Are Making House Calls

A housewife who calls for a General Electric Co. repairman to fix the thingamabob on the refrigerator or get the bugs out of the automatic dishwasher may find a GE vice president knocking at her door.

For two years, General Electric has been sending vice presidents and other top executives on house calls. They accompany GE repairmen who service the company's major appliances.

When Mrs. Carol Schrift of Edgewater, Md., called a GE service center to complain that the front burner on her electric range wasn't working properly, two men appeared at her home.

One was a regular repairman and the other was Stanley C. Gault, General Electric vice president and group

executive of the company's major appliance division.

While the repairman worked on the range, Mr. Gault gave Mrs. Schrift some useful tips on how to operate and care for her various electrical appliances. He even made an on-the-spot diagnosis of why frost was building up in her freezer.

The GE executive says he answers every complaint that comes from a customer to his Louisville, Ky., office. And he personally telephones about every eighth person who has written him.

"Most of them are not product problems," he says. "They're a matter of not reading the instruction books. I've had a deep suspicion that the books are too complicated, or that the dealer throws them away and they're not included with the appliances."

GE executives have been "riding the trucks," as they call it, in more

than a dozen cities. The company wants to keep the program going and perhaps even expand it.

More often than not, visiting executives are given the next-door-neighbor treatment. They are invited to have coffee or even lunch. A Norfolk, Va., housewife presented her top-drawer visitor with a jar of fruit preserve when he departed.

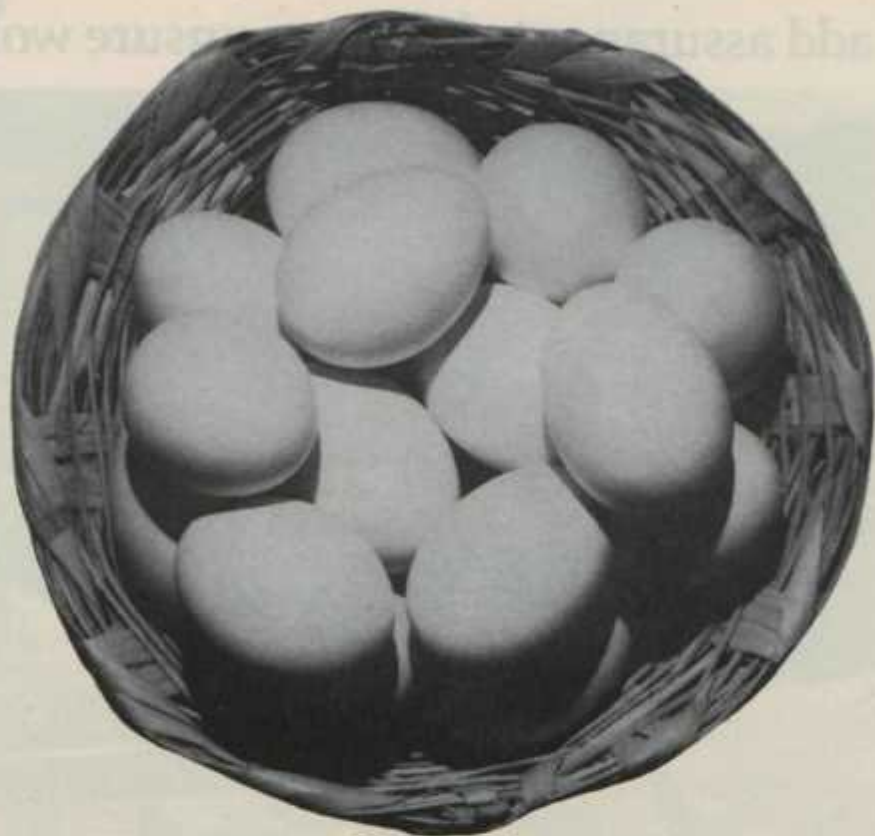
Not long ago, a GE vice president was introduced to Mrs. Virginia Knauer, White House assistant for consumer affairs. "Oh, yes, I know you," Mrs. Knauer said. "You've been riding the trucks."

She had read a newspaper story about the GE program.

The executive assured her it was the real thing, not a publicity gimmick.

"Yes, I know," replied the White House official. "I called the woman in the newspaper story and she confirmed it." •





## You can't tell a bad egg by its shell—

and it is not just with eggs that appearances are deceptive. As many companies have learned through disastrous losses, it is often the most innocent-looking employee that turns out to be the biggest thief. New and improved controls can lessen the risk, but the fact is that corporate stealing is increasing at an alarming rate. Only adequate insurance guarantees a company against critical financial loss. Our dishonesty bonds are exceptionally broad in coverage. The form, which provides money and forgery coverage, not just dishonesty coverage, is brief and clear. To provide this much needed protection we offer expert fidelity underwriters to analyze your needs, and a staff of commercial fidelity claimsmen whose sole area of responsibility is crime claims from commercial assureds. Before you are faced with a catastrophe, call a Chubb agent or broker and find out what you can do now to avoid it.



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## sound off to the editor

# Saving Energy—Voluntarism or Compulsion?

C-R-U-N-C-H. We've been reading about it for many months, and now it's here. We are facing an energy crunch that could bring wide changes to all our lives.

When the U.S. lost its supply of Arab oil in the aftermath of the Middle East war, predictions of a moderate fuel shortage for this winter changed to forecasts of the "most acute shortage of energy since World War II."

Airlines are cutting back hundreds of flights. Communities are curtailing their commercial and Christmas lighting. There are predictions that the price of a gallon of regular gas may well double before the end of the winter.

Even more significantly, President Nixon has proposed legislation that would give him power to ration fuel oil and gasoline, ban Sunday gasoline sales, cut auto speed limits and

exempt industries from environmental standards. There's talk of "control fees"—in effect, taxes on use of electricity and fuel.

Imposition of at least some additional federal controls appears probable. But other factors can lead to lower energy consumption, too.

The market function is one. Whether or not there are "control fees," if the cost of fuel goes up sharply because of shortages, the homeowner is likely to put on a sweater and let the house get a bit cooler. And many a business also is likely to take fuel-saving steps.

In addition, there is the voluntary approach. The President has called for "voluntary controls" by citizens—keeping the thermostat at lower settings, for example, and joining car pools. Such measures, it's estimated, could save 1.2 million barrels of oil a day.

Some of the President's top advisers have urged that every voluntary measure be tried before moving into programs like rationing, which they assert would be inefficient, difficult to administer, and even conducive to black market activities in some quarters.

It's clear, even with a mandatory program, that a large part of the success of a fuel conservation plan would rest on individual and business cooperation.

Many would scoff at the voluntary approach, however. People are too selfish or shortsighted, they say. But others argue that individual Americans have voluntarily done their part to reach common goals in the past.

What do you think? Can we conserve enough energy on a largely voluntary basis, or will only government compulsion get the U.S. out of the crunch?

Jack Wooldridge, Editor  
Nation's Business  
1615 H Street N.W.  
Washington, D.C. 20006

Can we save enough energy on a largely voluntary basis?

☐ Yes ☐ No

Comments:.....

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Name and title.....

(PLEASE PRINT)

Company.....

City.....



## Dealing With a Bad Neighbor

- Since the United States already is doing business with the two communist giants—Russia and Red China—it only makes sense to do business with Fidel Castro's Cuba.
- For the United States to extend diplomatic recognition to Cuba would only get the Soviet Union,

Russia continue to support Cuba. We have enough small countries to take care of now."

J.R. Bejarano, vice president, Xerox Corp., Stamford, Conn., writes: "We should recognize Cuba only after the Castro government is overthrown and its status as a Soviet satellite is out. It confiscated billions worth of U.S. property and continues its imperialistic export of 'revolution' in this hemisphere."

But Anthony M. Sita, senior staff assistant, Standard Oil Co. (Indiana), Chicago, Ill., argues: "Washington appears to have missed the boat again by keeping Castro isolated. Didn't the U.S. delay recognition of the U.S.S.R. for 17 years and China for 22 years? I much prefer the British approach—in peacetime, don't mix politics with business."

A Cuban-American disagrees vigorously with this. Jorge Duranza, comptroller, Reily Chemical Co., New Orleans, La., asserts: "Recognizing Castro's Cuba would be like condoning any communist take-over in Latin America. It would be a slap in the faces of all of us who left our beloved country and are willing to go and fight to regain its sovereignty. We should fight communism in all ways if we want to live in a free and democratic place."

However, Harry de Jesus, general accountant, Cranbar Corp., Ponce, Puerto Rico, says: "They [the Cuban people] wanted it that way, so let them have it now. When they fought back at Bahia de Cochinos [Bay of Pigs] it was because they wanted Fidel's government. So let them pay for it."

Urging recognition, James P. Walsh, president, JB International Marketing Corp., Atlanta, Ga., says: "Isolation has never been and never will be a mature procedure for reconciling differences, whether between man and wife, parents and children or country and country. When communications are kept open, each side eventually finds that it was not all

right and the other side all wrong. Let the U.S. start to act maturely and be the world leader it can be."

Writes Victor D. Sletten, superintendent of schools, Argyle, Minn.: "If we can conscientiously trade with the major communist countries we can trade with Cuba."

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"I much prefer the British approach—in peacetime, don't mix politics with business."

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"It would be a slap in the faces of all of us who left our beloved country. . . ."

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which has been "carrying" the island dictatorship for more than a decade, off the hook.

In general, these conflicting views sum up reader reactions to the October "Sound Off to the Editor" question—"Should the United States recognize Cuba?" More than 55 per cent said No.

"Trade and the opportunity for improving our financial condition should not be the criteria to decide our attitude toward Cuba," writes Leo J. Simon, chairman, Simon Mattress Mfg. Co., San Francisco, Calif. "This nation has always stood for principles of integrity and reliability, neither of which is evident in the leadership of Castro."

William Attwood, president, Newsday, Inc., Garden City, N.Y., disagrees, explaining: "Nonrecognition only gives Castro an excuse to blame his failures on U.S. hostility. Therefore, it does not achieve any political purpose. Economically, we are losing business to other Western nations in Cuba. Finally, recognition does not imply approbation." Mr. Attwood has served as U.S. ambassador to Guinea and, later, to Kenya.

On the majority side, Louis R. Meister, president, Meister Mfg., Inc., Denver, Colo., says: "Cuba is financially dependent on Russia to the tune of \$2 million a day. Let

Frederick G. Roberts, vice president, North Atlantic Industries, Inc., Plainview, N.Y., notes: "In both domestic and international business, face-to-face contact helps more than anything else in gaining an insight into the other's position, plans and attitudes. Certainly, the same applies to the U.S. and Cuba."

But Clinton V. Johnson, president, The Johnson Gage Co., Bloomfield, Conn., states: "It would be tantamount to licensing Castro to promote communism in the Western Hemisphere. It would be the equivalent of making an official declaration of the death of the Monroe Doctrine."

"Recognition might have the effect of relieving Russia of the cost she now incurs in maintaining a communist regime in Cuba," asserts Gilbert J. Durbin, vice president and general manager, American Sugar Cane League, New Orleans, La. "If we do not recognize Cuba, Russia may someday quit her financial support of Cuba and the Cuban regime may fall."

"My objections to Castro are on a social rather than economic basis," writes William D. Barton, president, Teldata Systems Corp., New York, N.Y. "The people of Cuba suffer intolerably under communist repression which is anathema to the Cuban spirit."





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## what readers want to know

### ● Didn't President Nixon once have a different view of television and its handling of news?

Yes, the President did indeed express another view at one time.

His 1962 press conference, after he lost the California gubernatorial election, is well remembered for his caustic statement to newsmen that: "You won't have Dick Nixon to kick around any more." Not so well re-

*Frequently, mail to editors of Nation's Business shows patterns of curiosity about developments in Washington. From time to time, we'll try to answer some of your questions.*

membered is this comment on the same occasion: "I think it's time that our great newspapers have at least the same objectivity, the same fullness of coverage, that television has. And I can only thank God for television and radio for keeping the newspapers a little more honest."

Times change.

### ● What's the background of Judge Sirica, who has become so famous in the Watergate case?

Judge John J. Sirica was born in Waterbury, Conn., in 1904. He earned his law degree at Georgetown University in 1926 and then engaged in private law practice in Washington for about four years.

In 1930, he was appointed assistant U.S. attorney for the District of Columbia. In 1934, he left that post to resume private practice. In 1944, he was named general counsel of a select committee in the House of Representatives, and five years later he returned again to private law practice in Washington. President Eisenhower appointed him to the U.S. District Court for the District of Columbia in 1957 and in 1971 he became that court's chief judge, the position he holds today.

Judge and Mrs. Sirica have three children.

### ● Won't age be a factor if a man like Gov. Nelson Rockefeller of New York or Gov. Ronald Reagan of California runs for President in 1976?

Only the voters can determine that. True, Gov. Rockefeller will be 68 and Gov. Reagan, 65, when the next Presidential election rolls around. But, remember, seven of our Chief Executives were over 60 at the time of their inaugurations.

William Henry Harrison, the oldest when he was sworn in (he was 68), died 32 days after taking office. Zachary Taylor, inaugurated at age 64, died a year and 127 days later. But five other Presidents over 60 served out their complete terms—John Adams, Andrew Jackson, James Buchanan, Harry Truman and Dwight Eisenhower.

Interestingly, the nation's first eight Presidents were all over 56 when they took office. And man's life span then was far less than it is today.

### ● Is welfare reform a dead issue in Congress?

Not quite. Sen. Russell Long of Louisiana, chairman of the Senate Finance Committee, which has jurisdiction over welfare legislation, is getting ready to push for a "work-bonus" plan that reportedly has White House backing.

Under the plan, welfare and low-income families which include full- or part-time workers could get a bonus equal to 10 per cent of the family's earnings (husband and/or wife) up to \$4,000. Payments would get progressively smaller when earnings exceed \$4,000, and they would be phased out at \$5,600 a year.

The plan could result in some welfare reform, but the price tag is huge: more than \$4 billion a year in the early stages.

### ● Was the Nixon Administration really testing the wind with that flurry of comment about a possible income tax increase?

Actually, an increase at this time is farthest from President Nixon's mind. The tax talk was really a high-level gimmick to get the President off the

hook with Arthur Burns, chairman of the Federal Reserve Board.

Dr. Burns had urged Mr. Nixon to come out for a tax increase. Melvin Laird, the new top White House adviser on domestic affairs, called in reporters and announced the President was considering such a proposal. Dr. Burns was placated. It was that simple.

### ● I thought aircraft carriers were obsolete, but now I read we're about to spend a billion dollars on a new carrier. Do we really need another one at that price?

The Navy and defense planners say Yes. Some Congressmen who have to approve the appropriation feel otherwise.

It's a playback of another era when similar argument raged over building more battleships. The battleship lost. In view of growing sentiment against carriers, because of their possible vulnerability in event of nuclear war, this billion-dollar carrier may be the last to slide down the ways.

### ● Can a member of Congress use his "franking" privilege to send campaign literature through the mail free of charge?

Not legally. But how can you distinguish between subtle political propaganda, boosting a campaigning Senator or Congressman, and legitimate material designed to inform constituents?

A picture of a Congressman shaking hands with the President of the United States certainly qualifies under the free mail privilege. But can you say it's not being used for political purposes? The real tip-off is seen in the fact that the volume of mail sent by members of Congress in the three months prior to an election is nearly double that in a comparable period in a nonelection year.

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# Must We Have Union Violence?

BY REP. LAWRENCE COUGHLIN (R.-PA.)

The Supreme Court has created a glaring void in labor legislation, writes a Congressional sponsor of a bill to fill that void

Taking a stand against violence may seem as controversial for an elected official as condemning crime, corruption and cheating.

But, as a Congressman, I have learned that sponsoring legislation to make labor violence a federal offense can mean a personal confrontation with union toughs, threats of physical harm to staff members, and a promise of continued harassment and heckling.

Seven individuals associated with Roofers Local 30, Philadelphia, blatantly tried to intimidate me when I began an all-day walking tour of several communities in the Congressional district which I represent. It was the start of last August's Congressional recess, shortly after I sponsored a measure to make violence or sabotage in management-labor disputes a federal crime when more than \$2,000 in property damage results.

My district consists of the Rox-

borough-Manayunk sections of Philadelphia and most of suburban Montgomery County—prime territories in the unrelenting combat that pits the Building and Construction Trades Council in Philadelphia against non-union contractors.

When I stepped from my car with a female photographer and two male staff members in Roxborough to meet with constituents, I knew at an instant that the group of men on the street corner were union muscle men bent on causing trouble. Just how much trouble was a question mark. Violence, both on a large and individual scale, was a hallmark of the continuing battle.

Twenty-three Building and Construction Trades Council members are under indictment in the June 5, 1972, onslaught at King of Prussia in my district, when some 1,000 men alighted from chartered buses, and vandalized and fire-bombed a non-

union site where the Altemose Construction Co. was building a Sheraton hotel. The attack was perhaps the most-publicized in a series of nationwide acts of violence against non-union contractors. [See "A Builder Stands Up to Union Violence," NATION'S BUSINESS, February, 1973.]

As soon as I moved onto the sidewalk in Roxborough to talk with constituents, the hecklers moved in close and started their harassment. People on the street and in stores with whom I tried to talk were shocked and apprehensive.

At my elbows and over my shoulders, the agitators kept up a rapid-fire barrage of one-liners. "Coughlin's no friend of yours!" one would bellow. A second would cry, "Tell them about Watergate, Coughlin!" Another would shout, "Phase V—don't eat!" Still another would holler, "Coughlin, you're an imposter!"

Several women were obviously ter-

PHOTO RIGHT: DON BENNER—NORTH PENN. REPORTER  
BELOW: EDWOOD P. SMITH—PHILADELPHIA DAILY NEWS







One of the hardest-hit targets of union violence in recent years has been the Altermose Construction Co. (see story) of Center Square, Pa. A mystery dynamite blast Nov. 5 at a housing-for-the-elderly project at which the firm was using both union and non-union subcontractors produced the scene at left. An investigation is under way. The scene at right took place when the author made a tour through his Congressional district. As he talks to a woman (center) about a flooding problem, unionists among those nearby heckle him for his antiviolence stand.

ried by the hecklers and the cacophony of abuse that spewed from their mouths. Some constituents tried to reason with the union members, but to no avail. Others expressed resentment. An angered storekeeper ordered my uninvited escorts out of his shop.

The lone Philadelphia policeman on duty could not cope with the situation and informed us he had called the police labor squad. The "squad" showed up sometime later—a plainclothesman with a walkie-talkie who was promptly ignored by everyone.

By the time I had moved through Roxborough to Manayunk, things threatened to get completely out of hand. One union aide sidled up to my district administrator, pointed to a sign portraying an auto leaf spring, and told him he was going to be folded up and stuffed in such a spring.

Another staffer was all but sur-

rounded on a street corner while several hecklers described how they would break him "into a hundred little pieces."

By the time we reached our next stop, in Jenkintown, the local police had been alerted. Apparently advised by union higher-ups to tone down their tactics, the hecklers backed off their elbow-jamming type of harassment and began a more orderly kind of heckling. The trouble continued into Ambler where, at one point, the outraged police chief ordered the union men arrested. They were herded into the police station a block away, but were released after I told a staffer to ask the chief to let them go. They immediately rejoined us.

Steve Traitz, business agent for Roofers Local 30 and one of the hecklers, informed a staffer that I would be subjected to this type of treatment whenever I appeared in my district. Officials at the Building and

Construction Trades Council, contacted by newsmen, declined to say if they were sponsoring the demonstration, but acknowledged that Council literature was handed out by the hecklers.

The unsigned leaflets attacked me and three other Pennsylvania and New Jersey Congressmen who also sponsored the anti-violence bill. Calling for my defeat at the polls, the leaflets said, in part, that the legislation would "limit union objectives of improving wages, hours and working conditions and . . . [organizing] the unorganized. This bill would create an era of intimidation and reprisals severely limiting the free trade [union] movement and collective bargaining system. . . ."

The bill, of course, would do none of these things. In fact, as I stated when I decided to sponsor the measure, it does not penalize legitimate union activities. I said that acts of



# Must We Have Union Violence?

*continued*

violence, ranging from assaults to arson and widespread destruction, are severely damaging to the best interests of the overwhelming majority of peaceful unions and law-abiding members.

The reaction to the harassment and intimidation of the unionists tended to support my contention. Letters, telegrams and phone calls deplored their actions. Only one letter reached my office which alleged I was anti-labor and objected to my sponsoring the legislation.

My decision to sponsor the bill, introduced by Rep. John B. Anderson (R-Ill.), was not hasty nor ill-considered. With the widespread revulsion over the King of Prussia assault, I had undertaken a study of labor-management disputes and the possibilities of new legislation. I had concentrated particularly on the role of the National Labor Relations Board.

## Hobbling the Hobbs Act

Then, in February, 1973, the U.S. Supreme Court ruled—to the amazement of many observers—that the Hobbs Act of 1946 did not apply to violence perpetrated in the collective bargaining process. The law had been enacted to make it a federal crime to interfere in interstate commerce by commission of violence, extortion or robbery.

Analyzing the consequences of the Court's decision, I felt that elimination of federal restraints could prove tempting, not just to some violence-prone unions, but to calculating managements which could provoke trouble for their own ends. Any federal legislation applying to so-called labor violence would apply also to management violence.

Obviously, I risked incurring displeasure from elements of the labor movement, but I believed organized labor had matured far beyond the early reflex action years when it was justly fighting for its existence. As a man who was a laborer in a manufacturing plant while attending evening law school, I understand and agree with the aspirations of the working man and working woman.

But, my eventual decision came against a backdrop of assaults, arson and other incidents of violence that

*Anderson letter  
May 2nd 12-4  
Haw*



Rep. Coughlin is serving his third term in Congress. His district is in the Philadelphia area.

were taking place in the battle of construction trades unions against so-called open-shop or non-union contractors.

The Associated Builders & Contractors, Inc., representing the latter, offers what its officials contend are conservative estimates of losses by builders and contractors fighting the unions.

In 1972, ABC says, there were 170 major acts of violence throughout the country, with damage and losses placed at \$5 million. The Altemose firm had tagged its own direct losses in the June, 1972, violence at \$1.2 million, with no inclusion of indirect losses garnered from the profit-and-loss ledger.

Other major incidents of violence included destruction of a hotel in Tennessee, with the loss estimated at \$750,000, and of 27 trucks in Florida—\$150,000.

Last May, ABC filed an action with NLRB against the AFL-CIO Building and Construction Trades Department, charging the unions with acting together to drive open-shop contractors out of business. The action is still pending.

The economic factors behind this intense conflict are multifaceted. Both the unions and non-union contractors have immense stakes in a resolution or, at least, a partial resolution of the bitter issue. At the end of each argument by either side there is a remarkable similarity: Each says it is fighting for its existence.

As a legislator, I could not—and will not—accept the proposition that violence can be condoned in resolving disputes in the United States. And that goes for labor-management conflicts. The ramifications of permitting labor violence to continue under our present laws would be devastating to the fabric of our society, which has been under extreme stress since the convulsions of the 1960s.

Even before delving at length into the situation, I had come to tentative conclusions based on the Altemose incident and other acts of violence. I gladly would have changed my opinions if the evidence so warranted, but the facts were painfully apparent.

Without a federal law against major incidents of violence, the ability to prevent such acts or take appropriate action when they are committed is



limited to local authorities. But the fragmentation of local jurisdictions mitigates against an effective procedure, and most local authorities possess little or no experience in handling labor-management violence.

And the FBI has no authority to use or lend its resources to local law enforcement agencies strictly on the basis of labor-management violence.

After studying the history of the National Labor Relations Board and its rulings, I was despairing of our present methods of resolving major disputes that involve violence. NLRB has absolutely no physical capabilities for either forestalling or ending acts of violence. It is helpless to order or effect compliance.

NLRB uses the National Labor Relations Act in issuing its rulings. This Act is the product of three monumental legislative endeavors: the Wagner Act of 1935, the Taft-Hartley Act of 1947 and the Landrum-Griffin Act of 1959.

With so many diverse and conflicting interests considered in the fashioning of the laws, I think it fair to expect a certain ambiguity and uneasy compromise in NLRB decisions. I regret that the record of NLRB rulings has not even been in this direction, but has tended to accommodate a series of union positions.

### Bending the law

In many instances, I feel, NLRB has interpreted the statutes in such a manner as to warp or bend the legislative intent of Congress. The position of the NLRB general counsel, now independent of the Board, also creates problems since he can act arbitrarily in issuing complaints.

And there is another deficiency. Time is a critical factor in NLRB determinations. While there may be a measure of justification for the length of time it takes to arrive at rulings, the gap is too great in adjudicating disputes which may be of great import—what NLRB does may decide whether a business can survive.

A majority report of the U.S. Senate Judiciary Committee's subcommittee on separation of powers, for the 91st Congress, says of NLRB:

"If in fact the Board cannot be improved, it might well be preferable to abolish it and assume the costs of

transferring its functions to the courts. First, however, we should try to improve it."

The report says that hearings on which it is based "have demonstrated the erosion of Congressional policy by the Board—in the area of authorization cards, employer speech, unit determination, duty to bargain, organization picketing, hot cargo clauses, and so forth—and the need for substantive correction."

I subscribe to the conclusion and note, for the record, that it will take a years-long, heated tussle to make the corrections that are needed. With the competing political interests involved, it is problematical whether any new legislation can be passed.

But it is imperative that Congress act to curb the dangerous trend to more violent acts in labor-management disputes. The Supreme Court decision created a glaring void in the law. Although it is a minority of unions or companies that sanction the resort to violence in the construction field, any groups or individuals committing these acts must be made to obey the law.

I do not, for a moment, think that passage of the bill I am sponsoring would settle the issue of violence in labor-management disputes.

Passage, however, would be an eminently fair and logical approach to help ensure justice by discouraging the use of violence. The federal government's abundant activities in interstate commerce are solid grounds for such legislation.

The bill sets as penalties a maximum fine of \$10,000 and/or 10 years in prison. It is residing in the House Judiciary Committee's subcommittee on criminal justice. The prognosis for any hearings in the foreseeable future is doubtful.

While I recognize the immense difficulties that would arise in trying to revise NLRB legislation, I feel that a law to make labor violence a federal crime is a minimum effort to which the Congress should aspire. Failure to check the growing acts of violence nationwide will only encourage such incidents in the collective bargaining process and spill over into the rest of society.

We have had enough of violence.

END

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# The '74 Elections: Issues

## as Seen by the Republican and

George Bush,  
Chairman,  
Republican  
National Committee:

**Mr. Bush, will the Watergate and Agnew scandals hurt Republican candidates in the 1974 Congressional elections?**

Unequivocally, no. For one thing, there has been a series of elections, which are better than any poll, during 1973.

On Nov. 6, the outcome was a mixed bag with no effect of Watergate evident. We won one of the two Governor's races. In Virginia, Mills Godwin and John Dalton were elected Governor and Lieutenant Governor in a race which continued the realignment of Democrats to the Republican Party. In New Jersey, we lost a Governorship, but most observers noted Watergate appeared to have no effect.

We won two out of the three special Congressional elections that were held.

Earlier, in Alaska, we took over a Democratic seat in the House. In Maryland, in a district with a two-to-one Democratic enrollment, we won a special election in September, long after the Watergate investigations began. The seat had been held by a Republican, but it was up for grabs.

In the South—in Mississippi, for example—we have almost doubled the number of Republican mayors. There have been other elections and we have won a significant share of them.

Secondly, the polls do not show either Watergate or the Agnew troubles affecting the Republican Party. People look on those developments as individual things. The party had nothing to do with them and people don't take it out on the party.

**What do you expect will happen when those things come up in the elections next year?**

The candidate who tries to use Watergate against a respected Republican member of Congress is going to have the most tremendous backlash ever seen, because



A Texan by adoption, New England-born George Bush was a successful Houston oilman when he was elected to the House in 1966. He served two terms, and then was U.S. ambassador to the United Nations for two years.



# That Will Affect Your Vote

## Democratic National Chairmen



### Robert Strauss, Chairman, Democratic National Committee:

**Mr. Strauss, what do you think will be the major issues concerning voters in next year's election?**

I think the central theme obviously is going to be what you know it will be—the pocketbook. The bread and butter issue is No. 1.

And right behind that will be this Administration's and this President's general failure to manage the affairs of this nation—his veto of important legislation and his impoundment of appropriated funds to eliminate worthwhile programs. I'm talking about programs like health care, child care centers, funds for hospitals. You name it. They run the gamut.

**Will Watergate be a major issue?**

I have said over and over again: We are not going to elect our people on the basis of Watergate. I simply don't believe we are going to elect very many Congressmen, Senators or Governors because of Watergate. These are local races that will be decided on the basis of local candidates and local issues.

Of course, honesty and integrity will be on the minds of the voters—and the Republicans are going to have to do more convincing than the Democrats on this score. Watergate is more of a negative factor for them.

**Put another way, will Watergate hurt Republican candidates?**

Well, it certainly has to affect the way Republicans run for office. I think we saw some of this in the Nov. 6 election, where their candidates had to be careful of their issues and their contributions because of the shadow of Watergate.

The Republican voters and workers may be depressed by the whole situation.

But looking ahead, the issues have been stripped away from the Republicans. They generally run, as

A native Texan and former corporation lawyer, Robert Strauss prides himself on wiping out his party's \$100,000-a-month operating deficit. He considers himself a middle-of-the-road Democrat.



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## George Bush *continued*

people are basically fair. This was shown in Virginia where Henry Howell attempted to inject Watergate at the last minute and was beaten. It's also important to realize that if scandal was going to ruin a party politically, you would have long since had a Republican administration in Chicago.

And there would be more Republicans in office in Texas because of a scandal there called Sharpstown, which affected many Democrats. But the Republican Party didn't become a winner because of Sharpstown. There wasn't any winner. There were only losers, those who were involved. A party doesn't gain by some individuals in the other party doing something wrong. That's just not how

it works. People are not turned off on a political party if individuals in it have been involved in a scandal.

My point is that the Republican Party is clean, is separate from mis-handling of campaign funds, covering up or whatever the allegations are.

**What will be the big issues of the Congressional elections? Those affecting the pocketbook?**

Yes, they always have been. The gut issues that determine an election are economic. What's in it for me? What kind of a living am I making? Do I have a job? It's too early to read all the signs on the economic front. Frankly, some of them look damn good for the Republicans at

this point, and some of them look worrisome.

The good signs include an excellent level of employment, with many million more Americans working today than just a year ago and without a war to make jobs. I would like to see unemployment lower, but the present rate is respectable. We have a strong overall economy and this is a plus. Real income is up. Even after higher prices and after taxes, the average guy has more in his pocket.

But those positive things could be offset dramatically by a couple of other things that are not as good as we want to see them.

**Such as?**

The high cost of living, particular-  
*continued on page 28*

## CONGRESS HAS A FULL PLATE

Watergate. The resignation of a Vice President. The appointment of a new one in the first use of the 25th Amendment to the U.S. Constitution. A world-wide military alert of U.S. forces in response to Soviet moves in the Middle East crisis.

News from Washington of late has been dominated by those history-making topics.

But many other important government issues are awaiting attention.

As the 93rd Congress prepares to adjourn its first session and get a new start next month, final decisions are still to be made on a lengthy list of such issues, and most will go over into the election-year session of Congress.

Here are the key ones businessmen should keep a watch on:

**BUDGET REFORM**—Efforts to bring some order to Congressional machinery for enacting spending bills and, hopefully, to introduce some anti-inflationary restraint have encountered roadblocks. Liberals claim too much power would flow to antispending conservatives. Some committee chairmen worry about erosion of long-held powers. Back-

ers of reform pledge continued efforts to achieve it, however, as the federal budget heads toward \$300 billion.

**TAX REVISION**—This is an election-year favorite for liberals who claim tax laws favor the ultrawealthy. But many of their proposals for closing "loopholes" would strike hardest at middle-income families who take deductions for interest on mortgages and other loans, medical expenses, etc.

**PRICE CONTROLS**—A new round of debate is due over whether controls can stabilize the economy or whether they have not actually disrupted it by fostering shortages and discouraging initiative. The question of whether to extend Presidential authority to impose controls beyond the April 30 deadline now in the law will provide a basis for discussion. Liberal moves to impose even more stringent controls will develop.

**ENERGY**—This continuing issue will become more grave due to anticipated fuel shortages and will become critical if there's a severe winter. Most answers are long-

range, but Congress has yet to act on them. It will make a big difference, however, if Congressmen's constituents are without fuel for heating or are jobless because plants have shut for lack of fuel. Modification of environmental time-tables is an important element.

**PRIVATE PENSIONS**—Enactment of some law on this subject is considered a certainty late this year or early next year. Business concern has centered on proposals that would require much higher costs, and impose sweeping federal controls.

**OSHA**—Support has been growing in Congress for modifying the Occupational Safety and Health Act of 1970, which has posed serious problems for businesses because of costs, regulations and penalties. Sponsors of several amendments to the Act say it could be made more reasonable without any impairment of the overall goal of worker safety.

**HEALTH INSURANCE**—How deeply should the federal government get involved in providing medical care either directly or through mandating



## Robert Strauss *continued*

you know, as businessmen or as friends of business. Can a Republican get up today and say, "We are better managers of the business of the nation than those damned old Democrats"? That issue is no longer available to them. The voters know what they are paying for bacon, and they know about that wheat deal and they know how little leadership has been given to the problems of energy and so on.

The Republicans have also campaigned as the party of law and order. Can you imagine their candidate saying, "We are the law and order party"? It's pretty obvious that this crowd around the White House and CREEP [Committee for the Re-election of the President] is the

most lawless band of men and women that have roamed the nation since the days of Clyde Barrow and Bonnie Parker.

And can they boast about cutting down government spending and managing the economy so that there will be high employment, no tax problems and no inflation?

The whole action of this Administration in the last two years is going to hurt Republican candidates next year. Watergate is just one part of it. But we are still going to have to pick the best candidates. And they are going to have to talk about the right issues and be on the right side of these issues.

We won't and we shouldn't win on Watergate and other Republican

failures alone. We have to be positive.

### **Are you saying the voter will hold the Republican Party responsible for Watergate?**

What I am saying is that there is this issue of credibility in government and it will be damaging to the Republicans as a group.

It will have a different effect on different people. It would be more damaging, for example, in a Presidential race than in a local race. Except in rare cases, I don't believe that a mayor running as a Democrat is going to successfully use Watergate against his opponent. I don't think that a Congressman running as a Democrat is going to be able to use Watergate against his opponent.

*continued on page 31*

an insurance program? Who should pay for medical care, and how? Those basic questions, plus a new Administration plan for requiring employers to provide health insurance, will be the focal point next year of the ongoing health insurance controversy.

**CONSUMER PROTECTION AGENCY**—Advocates of a new super-agency that would have sweeping powers to intervene in federal activities affecting every form of business activity continue to press for such an agency's establishment.

**FOREIGN TRADE**—Final action is considered certain early next year on legislation to give the President far broader authority in trade negotiations.

**MINIMUM WAGE**—President Nixon this year successfully vetoed minimum wage legislation that did not meet his standards on the timing of increases and that did not provide a youth differential, which he had urged. Next year, Congress will probably send him a bill that is closer to what he wants.

**HOUSING POLICY**—Efforts will

continue to find alternatives to federal low-income housing programs that have run into financial and other troubles. The President's proposed voucher plan, to give cash grants that would enable recipients to provide for their own housing in private markets, will be the central point of the debate.

**LAND USE**—At issue here is the question of whether the federal government should get involved, through providing or refusing federal funds, in state and local controls over use of private property. Legislation to establish federal guidelines for state land use programs has set off a major Congressional hassle.

**PROCUREMENT**—Proposals for setting up an Office of Federal Procurement Policy could result in marked changes in how the government spends \$60 billion a year on goods and services.

**INTERSTATE TAXATION**—Ways to achieve uniformity in states' taxation of businesses operating across state lines have been a matter of controversy for several years. Now,

prospects for legislation to resolve the issue appear brighter than they have in a long time. A final resolution could come next year.

**FTC**—Congress' new session will see renewed efforts to give the Federal Trade Commission far more power to become involved in business activities. Businessmen hope for approval of legislation to limit FTC's court-granted power to promulgate rules, with the force of law, defining unfair trade practices.

**WELFARE**—Another in a long series of attempts to straighten out much-criticized, increasingly costly welfare programming will be made. However, neither Congress nor Administration planners have yet found a workable middle ground between proponents of measures that encourage welfare dependency and backers of other measures designed to encourage movement from welfare to work.

**METRIC SYSTEM**—Final action is expected next year on legislation to set up procedures for conversion to the metric system of weights and measures, mostly on a voluntary basis, over a period of years.



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## George Bush *continued*



*H.W. Bush*

ly in food. High interest rates. If the inflationary food spiral continues, and if interest rates remain unacceptably high, we could be in trouble.

But there is another aspect to the economic issue on which Republicans are in a strong position. Republicans don't want excessive spending, which is one of the principal reasons for the inflation we're up against now. I think people equate government spending with how much taxes they have to pay. One sure way to get clobbered is to campaign on issues that will require you to raise some guy's taxes. The Republican Party is getting some credit for insisting on fiscal restraint that holds taxes down—but not as much credit as it deserves.

## Why not?

The Democrats are smart. They always say, "Let's cut the defense budget to get the money for some new program, and then we won't have to raise taxes." I'm not sure the people are going to buy that. The Democrats have been slick enough, and in some instances irresponsible enough, to indicate that if they were in they could expand government programs by cutting on defense. But in world affairs we must be able to negotiate from strength, to maintain our defenses.

## Will noneconomic issues be involved in these off-year elections?

Yes, war and peace can affect elections, to some degree. We are in

pretty good shape on those broad issues. We have ended the war. We have ended the draft. The peace is fragile, as witness the Middle East, but nevertheless no American kids are dying anyplace.

These might not be the real gut issues next year, but if they were twisted around and we were at war, young men were still being drafted and kids were being killed, they would be issues. I take great pride in what has been accomplished in those areas and I talk about it.

Another plus is what I call civil tranquility. People aren't blowing up buildings or rioting in the streets. People remember that when President Nixon took over, the cities were on fire and campuses were erupting. Now, this might not be more than a background issue in the Congressional elections but it has to be considered a plus for the party because, here again, if things had not changed, if the cities were on fire and we had riots, the Republicans would be getting the blame.

So when things have improved the way they have, I think we ought to be getting some credit.

In the 1972 elections, the Republicans drew heavy support from organized labor, the blue collar vote, that historically was considered overwhelmingly Democratic. But that alliance seems to be breaking up over economic issues. How do you see that situation?

I think workers are very pleased that employment is as high as it is



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## A new dilemma

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## George Bush *continued*

and they are very pleased with their increase in real income. But I know they are also damn concerned about the cost of food when they go home and their wives start griping about how much the groceries cost. I think they are worried about interest rates if they want to buy a house. But I also think that a blue collar worker can't be separated from the other issues such as war and peace; and what's happening in his neighborhood—can his wife walk safely to the store at night?

He voted Republican in 1972, partly because he couldn't stand McGovern, partly because he could identify with President Nixon standing up for our country. Now what is that same guy going to do in 1974? If you ask this in an economic context, I readily say we have work to do. We have to get the economic issues we've talked about in order.

And then, we have the party image thing. He wasn't voting for the image of the Republican Party in 1972.

We are viewed in Democratic propaganda as the party of big business. That is absolutely ridiculous. Our heartbeat as a party is a hell of a lot better than we get credit for.

**We have recently seen conservative Democrats, like John Connally, moving into the Republican Party while liberal Republicans, like Mayor John Lindsay of New York, have shifted over to the Democrats. What is the significance of this?**

The heavyweights are coming our way and the lightweights are going the other way.

**Are we beginning the realignment that's been talked about for generations, under which conservatives and liberals would each line up in their own political parties?**

I think there is a real chance for political realignment in this country. I don't mean any disrespect when I talk about heavyweights and lightweights, but the Republicans are going to benefit from these shifts in terms of political clout, political viability. The Connally move is very important because he is speaking for a lot of former Democrats when he says, "I didn't leave the Democratic

Party, the Democratic Party left me." And this movement is not just confined to the South—it is much broader than that.

We're actually closer to the central philosophy of Americans than the Democrats are now perceived to be by many people, including a lot of their own longtime adherents.

### Why is this?

The Democrats are perceived to be the party of the left, the party of big spending, the party of less concern about defense. The Republicans are perceived to be the party that ended the Viet Nam War, that believes in maintaining a strong defense and in fiscal sanity.

I think we are perceived to be the party of the work ethic, and the party that's tougher on drug abuse.

And I think in all these views we're closer to what centrist America thinks. Republicans have divisions, but we are really a pretty united party, not as deeply divided as the Democrats.

**Do you have a target figure on how many seats you hope to gain in '74?**

We have no numbers in mind except that we have a goal, of winning control of one or the other house of Congress. Of course, it would be great to get both.

**That would be particularly important for President Nixon, wouldn't it?**

Yes. He is the first President who at no point has had control of one house or the other during his Presidency.

He was elected overwhelmingly by voters who wanted him to put his own programs into effect and to block those they felt were not good for the country—some of the ideas of the far-outs. But, because of the makeup of the Congress, he has been on the defensive.

We have another goal—to increase the number of Republican Governors. There were 31 three years ago, and there are 18 now. We want to get a majority again and we have a good chance because there are a lot more Democrats up than Republicans.

**In talking about picking up Congress—**  
*continued on page 32*





*Handwritten signature: Strauss*

But if you have a Republican who defends the President and says he sees nothing wrong in all of this, well, then I think you have a Republican who is going to be hurt.

**What is the outlook for Democratic victories in the House and Senate?**

There is every reason to think we can pick up at least two or three seats in the Senate and at least five to 10 seats in the House. If we don't, I will be disappointed. If there had been Congressional races on Nov. 6 we might have captured 30 or 40 House seats.

**Is the image of the Democratic Party changing? It took on a rather radical cast during and after the Democratic National Convention in 1972.**

I can best answer that question by saying no one dreamed that our party, the party of the fall of 1972, would in December of that year elect as its chairman a Texas corporation lawyer with the image of a conservative.

I think that in itself answers your question.

Some people might think I am on the radical right but most people know I am a middle-of-the-road Texas Democrat.

I kid my friends that I'm too liberal for Texas and too conservative for Washington. So I must be just about right.

**Who speaks for the Democratic Party today?**

Well, I've said I'm not interested

in being the philosophical spokesman of our party. We have a lot of voices. What we're trying to do is put the party back together for all voices that want to be heard—voices that will give us a platform of substance so we can articulate all these various points of view that make up the overall Democratic Party. And I think we are doing that.

One of the best-kept secrets in America is that the Democratic Party is substantially falling back into place as we have traditionally known it.

Circumstances and the courts have taken away some of the highly emotional issues that tormented our party. Read what Ted Kennedy [Sen. Edward M. Kennedy of Massachusetts] is talking about, what Scoop Jackson [Sen. Henry M. Jackson of Washington] is saying, or what Bentsen [Sen. Lloyd B. Bentsen of Texas], Humphrey [Sen. Hubert H. Humphrey of Minnesota], Mondale [Sen. Walter F. Mondale of Minnesota], Muskie [Sen. Edmund S. Muskie of Maine]—you name them—are talking about.

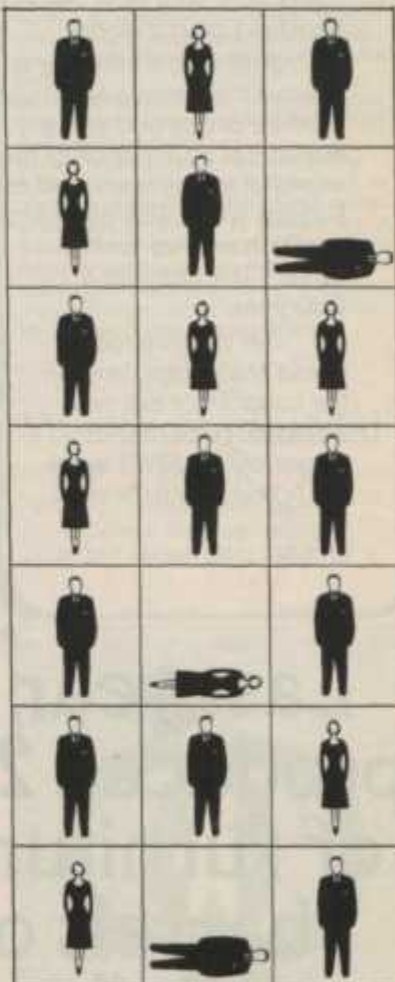
They're all discussing the issues that are on the minds of the people. They are talking about energy. They are talking about inflation. And they are talking about transportation and health care.

They are talking about the needs of our people.

Now, it is true that they have different approaches and different primary concerns and different solu-

*continued on page 33*

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## George Bush *continued*

sional seats, aren't you up against a fact of political life—that the party that controls the White House loses seats in off-year elections?

You know, I smile when I go places and people ask me what I have to feel happy about. If you smile in this business, people think you have taken leave of your senses.

I smile because we have decent candidates and the big issues are generally going our way and because I don't think the evils of Watergate are hurting the party. I am not relaxed about it all, but I just see the ingredients here for our turning things around and doing something people would say was impossible. Namely, pick up seats in Congress.

**Will one fallout of the Watergate probe of the "dirty tricks" type of campaigning be to make voters more suspicious of what candidates say?**

Oh, possibly, but I don't see it as a big problem. I think the outcome will be a positive one: Candidates and their supporters are going to be less inclined to do some of the things that have gone on, frankly, in both parties for years. And they should be less inclined. I don't think we need to roll around in the gutter.

**It's been said that voters' reaction to Watergate will be aimed at the political system itself, that they will not vote at all. Do you see this as a problem?**

Yes I do. The loser in the scandal and controversy is confidence in the system. And that bothers me.

As somewhat of an idealist, it bothers me that people think that the whole system is corrupt or that nobody can get fair play and there's no point in participating. This whole disenchantment, particularly among young people, is disturbing.

In the long run, however, I'm confident that, when this whole Watergate thing is over, people are going to say we have a pretty damn special system. It works and it doesn't stop in high places. Justice is really an interaction of several entities—the courts, press, committees of Congress—which have a way of cleansing our system. People don't see that now because we're wringing our hands over problems of the moment. **END**



## Robert Strauss *continued*

tions, but this is healthy and good.

**The party structure is changing, isn't it?**

Yes. Our delegate selection commission has met and we are well along the road to establishing a solid group of new regulations to govern the selection of delegates [to national political conventions] that are satisfactory to the conservative wing of our party as well as to the liberal wing. They are sensible and they are fair.

And we have taken positions on the issues that show the Democratic Party is going to recapture the great middle.

I want to play between the 20-yard lines.

**Are you saying that the Democratic base is broader than it was during the 1972 Presidential election?**

I don't think there is any question that it is. People are coming back to participate and they are learning that some of the real shrill voices of the far left are just what they are—shrill but with little substance. They represent little or no constituency. The same with the far right. It doesn't make any difference which side they are on. As I say, I want to play our game between the 20-yard lines.

There are 60 yards out there that I want.

**Does this apply to organized labor, where you had great defections in the last election?**

Yes, we picked 25 members at large of our National Committee and 10 of them represent organized labor.

And they represent most of the factions of organized labor.

Labor doesn't dominate but it is participating. That is all labor wants and that is all it's entitled to. The same is true with all other elements in the party.

**Without dwelling on Watergate, would you say it will have an effect on how political campaigns are conducted?**

Yes, it will have dramatic impact. It won't eliminate but it will sharply curtail very large contributions. That won't hurt the Democratic

Party as much because we have not been the beneficiary of large sums to the extent that the Republicans have. But it will hurt the other party. Contributors who would come in and give the Democratic National Committee a check for \$1,000 would probably give the other side a check for \$20,000.

**Will campaign contributions, or the lack of them, play a part in the '74 election?**

Well, the Republicans had nearly \$5 million which they were going to earmark for Congressional elections. George Bush [chairman of the Republican National Committee] said last January this money would be used in about 75 key races where the Republicans felt they had the best chance of winning.

This means they were going to apply \$50,000, \$75,000 or even \$100,000 in some of these individual races. And that makes quite a difference. Well, a lot of that was illegal money and had to be given back. We have tied up some of it in litigation, and we're going to get a share before it's all over.

If you think taking \$50,000 away from a Congressman running against a Democrat out in the Midwest, say, won't have an impact you're dead wrong. That's another place where Watergate is hurting the Republicans.

**How about the candidates and their approach to voters? Will they be changing, too?**

Well, you will certainly see a rash of challenges to incumbents. There will be a lot of new faces running. But I don't see a lot of political capital being made with a "turn-the-rascals-out" approach.

There will be some hot primary elections, however. Probably more than usual.

**Do you see a danger that voters will turn against incumbents en masse or simply not vote because they are disgusted with the system?**

No. The average incumbent, whether he is a Democrat or a Republican, is viewed as an individual. His constituents have a generally

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## Robert Strauss *continued*

favorable impression of him. You might hear someone say all politicians are crooks but in the same breath he will add, "That doesn't mean my Congressman, Fred Jones. Fred has represented us for three terms and I know that he is a decent, honest man."

So I don't think there are going to be any dramatic changes in the incumbents because of that.

But I do feel there is a danger that the voters are not going to want to participate as much as they should. That is a problem affecting both parties, the Republicans more than us. We must convince people that this system of ours is working better than they think.

I am amazed at how resilient the system is and how much it can absorb in the way of shocks.

If anything good has come out of this horrible, outrageous mess it is the certain knowledge that the system works.

### **What about the young voter? Can he be convinced?**

Young voters are concerned with honesty in government. They think in terms of unfair tax structures, of the unwillingness of the government to deal with inflation.

It's the whole pocketbook thing, but it's also broader than that. They are disturbed that one man will pay \$100,000 in taxes and another man will pay \$2,000 on the same income.

If we can attract these young people back, encourage them to get involved and participate, we are going to make it.

I've been talking on college campuses a lot lately. Here's what I'm trying to say:

"We gave you a bum legacy. We gave you the legacy of a highly unpopular war, presented you with a number of issues with which you totally disagree, and now this shameful scandal that is called Watergate. So you tend to be discouraged. But we have also given you something far broader, something that makes up for all of this.

"We have shown you in a positive way that this 200-year-old system can withstand almost anything."

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as well as we do.**







## Coal Is Coming in From the Cold

It may be a villain to environmentalists, but it looks more and more like a hero these days to an energy-short nation

It's dirty to produce, handle and use.

It's been reviled and legislated against, rejected and even scorned as obsolete.

It's coal, and it's looming ever larger as a potential factor in alleviating the growing energy crisis.

The basic fact is that coal is the only fossil fuel in which the United States is self-sufficient.

Shortages of oil and natural gas had begun to be felt throughout the country even before the onset of the peak winter demand for heating fuel and the impact of the Arab cutoff of supplies to the United States.

Over 10,000 complaints of inability to get enough fuel poured into the federal Office of Oil and Gas in the 5½ months of the voluntary allocation plan for fuel oil, which was converted to a mandatory plan Nov. 1.

A sampling shows the extent of the problem:

- In Ohio, a huge Veterans Administration hospital that had switched from coal to oil for environmental reasons found that fuel suppliers, hard put to serve old customers, weren't taking on new ones—particularly one that needed 2.2 million gallons of fuel oil a year.
- The American Red Cross set up an emergency unit in Bend, Oregon, to screen appeals from homeowners unable to obtain heating oil as temperatures dropped below freezing.
- A survey of Illinois school districts showed that 17 per cent were unable to obtain guarantees of adequate fuel supplies for this winter. In Chicago, where 231 of 581 schools use oil for heating, suppliers were unable to offer firm bids because of uncertainties about deliveries.
- Even a construction company building a pipeline to bring badly needed natural gas from a new field in Oklahoma was affected. It was running short of fuel oil to run its trucks.
- And in Pennsylvania, a major coal company, whose 250,000-ton-a-month output goes entirely to four big electric-generating utilities, faced the threat of a shutdown as fuel for its machinery dwindled.

Most of those specific problems were resolved on a stopgap, catch-as-catch-can basis. But the fact that they, and thousands of other cases like them, could crop up during spring, summer and early fall months, when there was relatively little competition for oil for heating, was a dramatic indication of the seriousness of the growing shortage.

This energy crunch has resulted in the nation's first peacetime program for government allocation of fuel oil and increasingly the word "rationing" is heard in government. There have been repeated calls from industrial leaders and public officials for intensive efforts to conserve fuel.

President Nixon has asked, among other things, that highway speed limits be lowered to 50 miles an hour, that the nation go on year-round daylight saving time, that everybody turn thermostats down to 68 degrees during the day and 65 at night, and that consideration be given to changing working hours.

### The future is in the dark

The major unknowns for the immediate future, of course, are: How severe will the winter be? How long will the Arab embargo continue?

What is known is unsettling: The Interior Department estimates that additional imports of 650,000 barrels of oil a day will be needed—and 850,000 a day if the winter is particularly severe. It also estimates that the maximum amount of available additional imports is 550,000 barrels, even if there were no Arab cutoff.

The Office of Energy Policy expects a 15 per cent shortfall in home heating oil this winter, compared to 3 to 4 per cent last year.

Where's the oil going? A massive amount of it is needed to fuel the boilers of the 398 public utilities that have switched from coal to oil since 1965, largely because of environmental laws that made coal a prime air pollution villain.

The irony is that coal is the only fuel of which the United States has plenty. It has 1.55 trillion tons of known, recoverable reserves—enough to last us for centuries, and about

*Self photos returned to Nat. Coal Association 11/30 17451 N.W. Wash. P.C. Library*





Electric utilities are major consumers of coal, although hundreds of power plants have switched to oil in recent years. This giant machine stockpiles coal at the Potomac Electric Power Co. plant at Chalk Point, Md.

half of the world's known supply.

National policy is to move toward similar self-sufficiency in oil and natural gas. President Nixon has proposed a broad program to achieve that end: Expansion of offshore drilling and its extension to the Atlantic Coast; expansion of refinery capacity; construction of the Alaska oil pipeline and production from the North Slope fields; and financial incentives to encourage exploration for oil and natural gas, including deregulation of wellhead prices for gas.

#### Forced conversion

While legislation and other steps necessary to achieve those ends, some of them several years away, are being considered, coal's potential for easing the fuel problem is getting more and more attention.

Sen. Henry Jackson (D.-Wash.), chairman of the Senate Interior Committee, and Sen. Jennings Randolph (D.-W. Va.), chairman of the Senate Public Works Committee, have sponsored the "Coal Conversion Act of 1973." Under its provisions, the President would be empowered to order that:

- Utilities and industries which

shifted to oil or natural gas from coal but retain coal-burning facilities must switch back to burning coal within one year.

- New utility and industrial plants must have the capability of burning coal, as well as oil and natural gas, with coal use to be maximized.
- Existing plants be similarly equipped—within five years—to burn all three fuels, with coal being the primary fuel as much as possible. (Plants with 10 years' or less life expectancy would be exempt.)

State air-control standards would be waived so long as emissions met national primary standards, which are based on health considerations. Coal companies would be empowered to pass on, dollar-for-dollar, increased production costs incurred to gear up to meet the higher demand resulting from the legislation.

In a November message to Congress proposing action to meet the energy shortage, the President backed this approach, though not all the way.

He asked that coal-burning industries now be prevented from switching to oil, and that environmental standards be waived on a case-by-

case basis—which would mean more use of coal.

While the Jackson bill would make a switchback from oil to coal mandatory at plants where coal-burning facilities are still available, the President said only that efforts would be made to convert power plants to coal.

Implicit in his message, however, was the growing importance of coal in the nation's energy future.

The Federal Power Commission says that 44 per cent of the electric generating capacity now obtained from oil could be reconverted to coal—with an estimated saving of 783,000 barrels of oil a week immediately and 3.4 million a week at the end of one year.

That's assuming the coal industry could gear up added production quickly enough.

If only coal were used in plants with both a coal and oil-gas capability, the saving would go to nearly 200 million barrels a year, nearly half of all the residual fuel burned in the country.

But the coal industry says it's not by any means an overnight conversion that's involved here.

The basic consideration, the indus-



## Coal Is Coming in From the Cold *continued*

try says, is assurance of a long-term, stable market to justify the enormous capital outlays that would be involved in opening new mines to increase production.

Coal, say industry executives, cannot be considered an emergency, short-run answer. "You don't spend millions of dollars opening up mines to operate them for 30 days," is the way one puts it.

### Problems and prospects

And the question of long-term markets involves, in turn, such factors as environmental restraints; reasonable mine safety laws; economic controls that have hampered the industry; availability of railroad cars; and mine safety laws that, in some instances, have cut productivity while failing to increase worker protection.

"The coal industry is looking at the future over the head of some tall problems," says Carl Bagge, president of the National Coal Association. But, he adds, "the problems do not outweigh the prospects, and they can be solved with new government insights into the real energy policy needs of the American coal producer and the consumer."

The issues confronting the industry must also concern the nation, he says, "as it faces up to the problems of adequate future energy supply."

Along with proposals for easing en-

vironmental restrictions temporarily to allow use of high-sulfur coal are proposals for a new look at the Federal Coal Mine and Safety Act.

Sen. Howard Baker (R-Tenn.) says that some of its provisions "are neither workable nor effective and a few, rather than contributing to safety, arguably have increased the hazards of working in underground coal mines."

He has proposed changes, the Senator says, which "are not designed to lessen the protection afforded the health and safety of the miners but are intended to restore economic vigor to the deep mining industry by eliminating statutory and regulatory excesses."

As for environmental considerations, Assistant Senate Majority Leader Robert Byrd (D-W. Va.), whose home state is one of the nation's biggest coal producers, has been in the forefront of those advocating an all-out federal program to use coal, a "dirty fuel," in a manner consistent with environmental goals.

This would include intensifying research, now under way, to find the most economical ways to convert coal to clean-burning oil and gas, and to develop the technology to burn high-sulfur coal without polluting the air.

In an interview with NATION'S BUSINESS, Sen. Byrd noted that there has been much conversion to natural

gas from coal by industry in recent years. This, he said, is an error—natural gas, a "clean fuel" in short supply, ought to be reserved for homes, he explained, and not used to fire the boilers of big plants with enormous energy demands.

What should such plants be burning? "Coal, our most plentiful energy source."

While research aimed at greater use of coal without aggravating environmental problems continues, there may have to be temporary concessions on clean air standards, Sen. Byrd says.

### The air: How much weight?

"I think we have to have clean air," he explains. "At the same time, we are going to have industrial growth in this country. So we just have to find an accommodation between the two. We have to clean up our coal to meet the clean air requirements, but this is going to require some time."

"In the meantime, we have to make some adjustments in the regulations."

A backlash could develop against the environmental movement, he adds, if unreasonable restraints result in a situation where "hospitals, nursing homes and residences are not heated, industries have to close down for lack of energy, and gasoline supplies run short."

"The inescapable fact is that, if we are going to avoid a paralyzing stoppage in almost every phase of our national life, we are just going to have to make accommodations."

Sen. Byrd urges a balanced view on the issue of strip mining, which looms large in the present picture, though it's estimated that only 3 per cent of all U.S. coal reserves can be extracted this way.

"There is no question in my mind that there has to be a national law laying down some guidelines to provide reasonable standards requiring the reclamation and restoration of surface-mined areas," he says.

"But I do not think there should be a national law abolishing surface mining. Half the coal mined in this country comes from surface mines. Certainly, we cannot abolish that source of fuel and meet our energy needs."

END

### THE ART OF THE POSSIBLE

In a recent speech, Sen. Robert Byrd (D-W. Va.) took this view of factors involved in the environment-vs.-energy debate:

"All of us would like to see Minnehaha living once again in the wigwam of Nokomis, by the shining big-sea water. But that wigwam is now a power plant and Minnehaha . . . is making \$200 a week working in the office of the president of the power plant; while Hiawatha is working his tail off in the plant to keep up the payments

on a split-level, a station wagon and a boat. Like it or not, ours is an industrial society, and unless we are prepared to sacrifice our entire life-style, we will remain an industrial society. That being so, we must make concessions to its continuance. . . . I am convinced that the preservation of clean air need not mean the destruction of industry. As a matter of fact, if we cannot practice the art of the possible in the interests of both, we do not really deserve either."



# Do's and Don'ts for Board Members

Sure, being a director is an honor—and may bring in some fees—but there are pitfalls, too



If you're a successful businessman, sooner or later you're likely to receive an invitation to become a member of a corporate board of directors.

The prospect of such an invitation is obviously attractive. It's not so much the directors' fees—though some additional cash always is welcome—but there's a certain amount of prestige attached.

And, if you're an "outside" director—someone not an officer of the company—it's downright flattering to know that some other company considers your expertise of sufficient value to have you serve at the highest policy level of the corporation.

But have you stopped to consider the liabilities that could be yours along with the prestige of membership on a board of directors?

Evidently, quite a few businessmen have, because a number of corporations report a difficult time finding just the right person to fill that vacant seat at the directors' table.

## Guidelines on the way

To help solve this problem, the Securities and Exchange Commission has decided to publish a set of guidelines for corporate directors. The hope is that it will more clearly spell out just what a director must and must not do.

The aim, of course, is to encourage highly qualified executives, from small business as well as large, to lend their special talents to the thou-

sands of corporations that need them.

But why the sudden concern over possible penalties directors might have to pay because of transgressions—unknown to them—of some other director, perhaps an officer of the company?

Some observers say directors are scared because of what happened after the collapse of the Penn Central Transportation Co., the country's largest railroad.

Virtually every member of Penn Central's board is now the target of at least one lawsuit—and some are the targets of many.

For the most part, it appears, Penn Central directors really didn't know what was happening in the corporation. Whether they were kept from knowing—or didn't try to go behind management's rosy pronouncements—still is unclear. But in the end, the corporation slid out from under them and plunged into a financial debacle that for a time rocked the entire economy.

As an SEC report on Penn Central points out, shareholders have only one way to oversee the management of a company—through the outside directors. In this case, directors were given no cash or income forecasts or budgets, no guidelines to measure performance, no information on earnings or cash performance of subsidiaries.

"For all this vital information," the SEC study says, "they were

forced to rely on oral presentation by management."

In such a case, just what should a director do? The answers are hazy. In fact, they appear to be changing almost daily.

## Be sure of yourself

But in a speech before he resigned as SEC chairman last May, G. Bradford Cook had a number of suggestions for outside directors. Among them:

- Attend all meetings of the board—that's one way to make sure you know most of what's going on.
- Don't vote on a matter unless you fully understand it.
- If you're called upon to approve a corporate press release, make certain it doesn't contain any misleading statements. And if you later discover that a company press release is misleading—even though you didn't approve it—make sure the investing public is correctly informed.
- Read and examine the company's annual reports to make sure they truly reflect the condition of the corporation. These reports are the most basic communication between the corporation and the investor.

Some of these suggestions may seem obvious—others less so.

But the lawsuits that have piled up since the Penn Central disaster highlight the fact that directors ignore them at their peril.

—STEPHEN M. AUG



# New Opportunities Across

Healthy markets for exports  
and avenues for investment await  
U.S. businessmen, if they go  
after them and aren't hampered  
by the wrong government moves

Many American businessmen are missing some golden opportunities.

They are paying too little attention to a vast and growing export market, the Asian-Pacific area, even though their products are needed—and are welcome not only because of quality and advanced technology, but because two devaluations have helped make U.S. goods competitive in price.

The area is also ripe for investment. But American and native businessmen as well as government leaders in Asian-Pacific countries feel U.S. businessmen are not taking enough advantage of investment opportunities either.

This came through loud and clear during a month-long fact-finding survey that I and two staff members of the Chamber of Commerce of the United States made recently.

American businesses, particularly small and medium-sized firms, are consistently characterized in Asian-Pacific countries as not being sufficiently interested in nor even aware of these important and dynamic mar-

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ARCH N. BOOTH, author of this article, is chief executive officer of the Chamber of Commerce of the United States and publisher of *Nation's Business*. He headed a mission which visited eight Asian-Pacific countries and the crown colony of Hong Kong, talking with key government and business leaders to assess opportunities for U.S. business.

kets. Thus, Japanese and West European firms are rapidly increasing their shares of exports there—often at the expense of U.S. companies.

Asian-Pacific business and government leaders believe that American businessmen are too absorbed with the vast U.S. market, and consider foreign trade too esoteric a game.

In two countries—Australia and New Zealand—the problem of availability of U.S. goods is cited as a continuing problem. Exceedingly long delays are being experienced in delivery of goods ordered.

A consistent refrain is that the National Chamber ought to encourage small and medium-sized firms to become more export-oriented and that the U.S. government ought to provide more effective tools and institutional arrangements that will stimulate U.S. firms to improve America's overall export performance.

In most countries, the need for more U.S. trade exhibitions is cited. Also, more flexible and readily available Export-Import Bank financing packages are thought necessary to enable U.S. business to compete more effectively with Japanese and European firms.

Export opportunities cover the entire range of U.S. manufactured goods and agricultural commodities. In Korea, there is interest in U.S. goods related to five key industries: chemicals and petrochemicals, iron and steel, shipbuilding, electronics and machine tools. In Japan: con-

sumer goods, pollution abatement products, computer and peripheral equipment, nuclear reactors, hydrofoils, aircraft, industrial products and high-technology goods, generally. In Thailand, Viet Nam and the Philippines: consumer and capital goods, particularly machinery and equipment related to power and energy development.

In Australia, where the Labor government recently reduced tariff levels by 25 per cent, opportunities exist in both consumer and capital goods, particularly those with a high technological content. New Zealand requires a diverse range of both consumer and capital goods. There, however, import duties and licensing arrangements make it perhaps one of the more difficult markets to penetrate. However, with the phasing out of British preferences and the implementation of a new tariff structure, U.S. export opportunities should grow.

Everywhere in this vast area, concern is expressed over the direction which U.S. foreign trade policy will take. The consensus clearly favors a liberal trade bill—one which would enable the U.S. to negotiate effective, multilateral reductions of tariffs and elimination of nontariff trade barriers on both industrial goods and agricultural commodities when the General Agreement on Tariffs and Trade (GATT) negotiations begin in 1974.

With the exception of American businessmen in Taiwan, U.S. business leaders in the Asian-Pacific area favor Congressional authority for the President to extend nondiscriminatory tariff treatment to socialist countries. They oppose tying this authority to a country's emigration policies. In the developed countries, especially the Philippines, there is keen interest in a trade bill provision that would provide a generalized scheme of tariff preferences.



# the Pacific

*Join back to America - Universal*



*Information in this article on trade and investment possibilities for American businessmen in the fast-growing Asian-Pacific area came from meetings in eight countries and one colony.*

We have five specific trade-related recommendations that are common to all the countries visited.

1. Congress must enact a trade bill which will enable the U.S. to negotiate in the forthcoming GATT round an effective multilateral and reciprocal dismantling of tariff and nontariff barriers on both industrial goods and agricultural commodities. This will provide the necessary climate for stepped-up U.S. economic involvement in the Asian-Pacific area.

In addition, the trade bill ought to include a provision which will grant the President authority to extend nondiscriminatory tariff treatment to the People's Republic of China—so as to assure a more viable economic relationship between the U.S. and Asia's largest nation—and a provision which will enable the

U.S. to extend tariff preferences to developing countries.

Such preferences are an effective means of improving the terms of trade for these countries. But efforts should be made to assure that U.S. preferences are in harmony with existing schemes offered by Japan and the European Community, to assure that inequities which could discriminate against the U.S. do not arise.

2. U.S. business and government must concentrate more on developing national export goals. The economic interdependence of Pacific Basin nations demands it. U.S. balance of trade objectives require it.

What is needed particularly is a far greater export orientation among small and medium-sized firms in the United States, plus far more vigorous U.S. government export programs—better Export-Import Bank credit

and financing facilities; more readily available commercial bank export financing; better market surveys; prompter commercial intelligence services for U.S. firms; export incentives such as the Domestic International Sales Corporation (DISC) program; more emphasis on establishment of U.S. trade centers and trade exhibits; and a comprehensive review of freight rates along Pacific routes.

3. U.S. firms must make more of a conscious effort to tailor their products to the tastes and needs of consumers in Asian-Pacific markets. With the assistance of U.S. government facilities and American chambers of commerce abroad, U.S. firms need to do a better job of surveying foreign markets and to base the pattern of their products on these analyses.

In this connection, special attention should be paid to developing countries' needs for machinery and equipment compatible in sophistication to their stage of economic development. Products that are too technologically sophisticated may not be appropriate. Equally important, U.S. firms should be conscious of these countries' need for spare parts for older generation machinery and equipment.

4. A special need exists for the U.S. government to establish additional trade centers and more government-sponsored trade exhibits and fairs in Pacific Basin countries.

5. Finally, the U.S. government should press harder in bilateral and multilateral negotiations for a relaxation and liberalization of import duties and licensing regulations in all the countries in the Asian-Pacific area.

## The investment climate

While there is a generally favorable climate for direct U.S. investment in the Asian-Pacific area, there



## Pacific Opportunities *continued*

is growing desire on the part of most countries for greater local equity participation. This is certainly true of such countries as Japan and Australia.

In Australia, new foreign capital inflow restrictions have made it more difficult for U.S. firms to invest in wholly owned equity ventures. The trend clearly is toward an "Australianization" of foreign investment, particularly in the extractive industries. In Japan, joint ventures are clearly the more preferable avenue to choose, except in those industries where a 100 per cent equity-owned investment is essential to preserve a firm's technology.

In countries such as Korea, Australia and New Zealand, which are experiencing overemployment or which want to diversify their industrial base, technological and/or capital intensive investments are given priority. In countries with an abundance of skilled labor, such as Taiwan, the Philippines and Thailand, the emphasis is more on investments which generate employment. Potential investors, therefore, must carefully relate the capital/labor mix of their investment to a host country's economic objectives.

Generally, in the more developed countries, criticism of multinational corporations is higher than in the relatively less-developed countries, where the image of U.S. multinationals is more positive.

There is growing awareness among American executives of the need to communicate more effectively to host country populations the beneficial impact foreign investment makes on that country's economic and social development. This is particularly true in a nation like Australia, where the role of foreign investment is being seriously questioned.

In several countries, U.S. businessmen see the need for host governments to develop rules of the game on how investment should be treated. In this connection, they express interest in current efforts by the National Chamber to develop, in collaboration with Japanese and European Community business organizations, the parameters for an international investment code that



One of the cornerstones of trade in the Orient is Hong Kong, shown here with its vast harbor.

would be administered by a multi-lateral agency. Such a code would have as its objective the freest possible flow of transnational investment.

American businessmen operating in the less-developed countries of the region regard investment insurance guarantee programs of the type the Overseas Private Investment Corp. provides as essential for increasing U.S. private investment in high-political-risk nations. They feel, too, that this program should be extended to the Republic of Viet Nam.

Other areas of U.S. businessmen's concern include the fact that a significant amount of business financed by Asian Development Bank loans is being channeled to non-U.S. firms as a result of Congress' failure to appropriate pledged U.S. contributions to the bank.

Also, U.S. businessmen often cite the extraterritorial application of U.S. antitrust laws as a continuing handicap in their ability to compete effectively with Japanese and European investors who do not operate under similar restrictions.

There is concern, too, about efforts in Congress to alter existing statutes pertaining to foreign tax credits, the taxation of unremitted earnings and the income tax exclusion granted U.S. citizens employed abroad. And about mounting pressures in Congress to restrict foreign investment

in the United States. Such restrictive legislation, businessmen argue, would result in retaliatory restrictions on American investments in Asian-Pacific nations.

### Investment recommendations

Based on our discussions regarding U.S. investments in the area, we believe American business and government policy-makers should consider the following recommendations:

- U.S. direct and indirect investment in the Asian-Pacific region should be encouraged to enable U.S. business to maintain market positions. Direct investment decisions should be made on the basis of a careful analysis of host country economic objectives and, whenever feasible, local equity participation should be encouraged.
- U.S. firms, with the assistance of U.S. government agencies, should make more effective their efforts to educate host country populations about the beneficial impact foreign investment has on their social and economic development.
- U.S. investment insurance guarantee programs should be continued and extended to Asian-Pacific countries not presently covered.
- Congress should appropriate funds pledged to the Asian Development Bank to enable U.S. business participation in investment projects financed by ADB loans.
- U.S. antitrust and taxation statutes should be reassessed with a view to making these laws supportive of U.S. private investment in the region.

Potential American traders and investors can benefit greatly from the able assistance of our American embassies and from our "business embassies"—the American chambers of commerce—in the Asian-Pacific nations.

That assistance, and the proper governmental action at home, can help businessmen realize the considerable growth potential for them in the Asian-Pacific area—provided that they are sufficiently aggressive in pursuing the opportunities. END



# What's wrong with this picture?



Photo by Van Bucher

Somebody forgot to include the women. Each day decisions are being made in all-male boardrooms, in city councils, on the boards of education, and elsewhere, that affect all of our lives. Intelligent, educated women — and they are legion these days — belong in this picture. They can help to build the kind of society we all want. What's wrong with this picture is that half the talent and brainpower of our country is missing... an important half — women.

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LESSONS  
OF  
LEADERSHIP  
PART CIII

*How*  
*Be with Jimbo*  
*file*

# Akio Morita of Sony Corp.

## Looking forward

When he was vice president of a tiny, struggling electronics firm, Akio Morita wandered one day into a Tokyo antique shop. As he eyed the fragile porcelain and costly curios, another customer walked in and picked up an exquisitely carved ivory figurine.

After inspecting it carefully, almost reverently, he took it to the proprietor, counted out the price—50,000 yen—then walked away with his treasure.

At the time, only months after the end of World War II, that was a huge sum, far more than Mr. Morita could afford.

But the experience taught him a valuable lesson.

"I learned," he says, "that if a thing has quality, and people know its value, they will be willing to pay the price for it."

He applied that lesson in helping build up the hugely successful Sony Corp., whose first home was a small, boarded-up room in the shattered hulk of bomb-battered Shirokiya department store on Tokyo's Ginza.

Its annual sales are now at the \$800 million level.

Mr. Morita took a roundabout route to his business career.

He was born Jan. 26, 1921, the son of a well-to-do brewer of *sake*, in Nagoya, Japan's third largest city. His family had been *sake* makers for 300 years.

"I'm the fifteenth generation of the Morita family," he says. "I am also the oldest son. So, under Japanese tradition, I was expected to succeed my father in his business."

"But from the time I was a small boy, I was interested in music—not playing it, but listening to it. That led to an interest in audio equipment. When I was a schoolboy, I made an electric phonograph and then I became interested in electronics."

"I decided to study physics, and I talked to my father about it. He was very liberal. 'Whatever you wish to do, you may,' he said, 'if you are happy at it.' So that's why I broke a tradition and why my younger brother had to assume my father's business fortunes."

In March, 1944, Mr. Morita graduated from Osaka Imperial University with a major in physics. He spent a year as a Navy lieutenant working in the Navy Technical Research Laboratory, during which time he met a young engineer, Masaru Ibuka.

Both were on a research team that

was working on a heat-sensitive homing device. They became good friends. After the war, they went into business in Tokyo and soon founded the company that grew into today's Sony Corp.

Mr. Morita, now president, gravitated toward marketing. Mr. Ibuka, board chairman, devoted himself more to research and product development.

Fluent in English, Mr. Morita has a Fifth Ave. apartment in New York City and has spent considerable time in the United States. He is well known to top American businessmen. Many have visited the 26-room mansion in Tokyo which is home to Mr. and Mrs. Morita and their three children.

Mr. Morita is a board member of the IBM World Trade Corp. and a member of the International Council of Morgan Guaranty Trust Co. of New York.

Here, in an interview in his Tokyo headquarters with a NATION'S BUSINESS editor, he tells about his career and Sony's phenomenal growth.

*How did you and Mr. Ibuka happen to go into business together?*

Mr. Ibuka had a small engineering



## Akio Morita *continued*

firm that did some defense research. After the war, the company was out of business, and his employees were out of jobs.

He felt an obligation to provide work for them. So he came to Tokyo in October, 1945, and started a small laboratory, Tokyo Telecommunication Laboratory.

A newspaper carried a little item about his laboratory, and I saw it. So I wrote to him. At the time, I was working with my father in the *sake* business. In a few days, I got a letter from my friend asking me to come up to Tokyo and join him. I did.

*In 1946, the company incorporated and became Tokyo Telecommunication Co. Why?*

Partly because the business was growing, and partly so we could sell stock.

*How big was the corporation?*

It was very small. It started with six or seven employees and then grew to about 20.

We started out making communications equipment for the Japanese telephone and telegraph companies and also for the national railroads. Later, we started making broadcasting equipment for the Japan Broadcasting Corp.

*When did you get into consumer products?*

Well, let's see. Our first tape recorder was marketed in 1950, but we started to develop it in 1947 or 1948. Naturally, we needed recording tape, so I worked as a physicist developing recording tape.

*How did the company happen to get interested in tape recorders?*

At that time, we read many technical magazines from all over the world.

We found an article on tape recorders, originally invented in Germany, and then widely used in the United States.

Also, we made equipment for the U.S. Armed Forces Radio network in Tokyo and saw them use tape recorders.

*But a tape recorder wasn't a consumer product then?*

*How*



*Akio Morita is proud of the modern electronics factory at Sony's headquarters in Tokyo, and he likes to personally check up on how things are going there.*

That's right, it was a technical piece of equipment.

But Japan didn't have any, and we thought it would be a good product for us.

When we had a good tape recorder, we decided to sell it to the general public. We thought we could make a fortune. But we found sales were very difficult.

That taught us that even if you have good technology, but no sales or marketing skills, it doesn't mean anything.

Since then, I have been involved in the marketing side.

*How did you sell your tape recorders?*

We faced a basic problem. The public didn't know how to use one.

The first thing we did was to educate the public.

We started with the schools. We went to the Ministry of Education. At that time, the audio-visual system of education was being introduced in Japan by the Occupation. It was becoming popular with school-teachers.

So we formed a special group. An-

other man and I went around visiting schools and taught teachers how to use the recorders.

Gradually, we succeeded in going into the school market. Then we began selling to large companies, for institutional use.

*How did you get around?*

The tape recorder was very heavy, so we drove around in an old Datsun truck.

We bought it right after we incorporated the company in 1946. We found that we needed some form of transportation to haul materials or deliver the equipment we made.

At that time, the only people in the company who had driver's licenses were Mr. Ibuka and myself—the president and the vice president. So we were the truck drivers.

*What was your next major product?*

The transistor radio. We were aware of the invention of the transistor by Bell Laboratories.

In 1952, on a trip to the United States, Mr. Ibuka found that Western Electric was granting licenses to manufacture it. He thought it would



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## Lessons of Leadership: Akio Morita *continued*



*When he's at work, the president of Sony Corp. doesn't deck himself out in an expensive business suit. He and other Sony executives wear simple cotton jackets, and name tags, like those worn by all the firm's workers.*

be an interesting device for the future.

So in 1953, I went to the United States and negotiated with Western Electric and we got the first license in Japan.

When I got the license, Western Electric said the only consumer product for the transistor would be a hearing aid. At that time, the transistor couldn't be used at high radio frequencies.

Bell Labs was only interested in using it for telecommunications.

But Mr. Ibuka, who is in charge of our research and development, decided to develop a special transistor radio.

So, from the very beginning, our company worked toward development of a high frequency transistor.

We also aimed at making a very small transistor radio. We succeeded in both aims. We marketed our first transistor radio in August, 1955.

*Why did no American company see this opportunity?*

Actually, an American firm, Regency Co., did market the world's first transistor radio. We wanted to

be first, but it beat us to it by a couple of months.

I don't know where the company is now, or even if it still exists.

*Did your radio sell well?*

Very well. At first, it was of very poor quality, but it was the only transistor radio in Japan.

*Did you sell it mostly in Japan?*

Yes, we do that with all our new products. We want to have real good reliability before we sell abroad.

In Japan, we have a good service network. So we can see how reliable the product is and what kind of problems we may encounter after we put it on the market. Then, with this experience, we can improve our product before we export it.

*When did you market the first pocket radio?*

In March, 1957, and it made a real sensation all over the world.

*So this was your first big export product?*

Yes, and it went over big in the United States.

*What kind of sales volume was the company doing at that time?*

I have no idea. I have never thought about past history. My job is to be looking forward.

*Weren't the early transistor radios fairly expensive?*

Yes, but that was because they were the first of their kind. The old portable radio used to be a very high-powered consumer product. But after you played it a few hours, the battery was gone.

With a transistor radio, the battery lasts several hundred hours. So that's why they sold, even if they were expensive.

Incidentally, the transistor radio was the first product that carried the Sony label.

*How did you hit on that name?*

We had decided that we wanted a short name for our products, an international name that would sound the same all over the world.

So Mr. Ibuka and I worked together, checking many, many dictionaries, and we found two terms, sonus, a Latin word meaning sound, and sonny boy. So we thought: We are a group of sonny boys in the sonus business. So we combined sonus and sonny and came up with Sony.

*After the transistor radio, what was the next popular Sony product?*

The big item was transistorized TV sets. When we started working on the radio, we had already thought about TV. But it took a long time to develop.

I think it was December, 1959, when we introduced the world's first all-transistorized TV.

*Was this a commercial success?*

Yes, but there's a funny story about it.

When I brought this set to the United States, my friends there said nobody would buy it. It had only an eight-inch screen, and that, they said, was too small. American TV screens were getting bigger and bigger.

But we didn't think it was too small.

By 1959, you had so many stations on the air all the time that, we felt,



each person would want to make his own choice.

The wife would want to watch one program, the children, or the husband, another. To do that each person would have to have his own set. But it would almost have to be a small, personal TV set.

Even though the price was high, we believed, the small set would sell. But nobody else believed it.

*Did it sell well?*

Yes, indeed. And the Sony name became famous in many countries.

*What came next?*

Well, then we thought we ought to make an even smaller TV set. In 1962, we finally came out with a five-inch set.

*Did you spend a lot of money on market research beforehand?*

No, we don't believe in market research for a new product unknown to the public. So we never do any. We are the experts. We know what we can make in the future. And we should know what technology can be turned into consumer products.

In the United States, I think, market research is conducted only to provide the man in charge with a rationale when a product flops, or when it succeeds.

Someone does a survey and says: "Oh, there's a big market for this product."

So the company goes ahead and makes it. If it fails, the executive who made the decision to go ahead says: "I did it, based on market research. But the market changed."

*Your first TV sets were black and white. When did you get into color?*

Again, when we thought about color, we wanted to be different.

All the other manufacturers used RCA's shadow mask color system. Our people worked hard to find out what might be a better alternative. We tried out many of our own ideas.

But finally we got interested in Dr. Ernest Lawrence's Chromatron system. At the time it was invented, in the '30s, there were a lot of articles about it. But no one had put it to use.

So we checked it out. It's an excel-

## Look Back • Look Ahead

Looking back can be a happy pastime.

Happy, that is, if emphasis is on the successes rather than the failures.

Unfortunately we glory in success to such an extent that we tend to ignore, or forget, how much we could learn by reviewing our failures—and what caused them.

Your chamber of commerce has had its share of both. Take joy from success, take lessons from failure and do all you can to keep history from repeating itself.

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*Pete Progress speaking for  
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## Lessons of Leadership: Akio Morita *continued*

lent system, and we spent a large amount of money to develop it.

Finally, we released a number of Chromatron color TV sets on the Japanese market.

*Did that work out?*

Not too well. We finally decided that Chromatron is not feasible for consumer products, because it is too expensive to make.

As a result of struggling with it, our project team, headed by Mr. Ibuka himself, made a complete analysis of all the basic principles of the picture tube—the electron guns, everything.

So then our project team found a new principle. It invented a picture tube which has a single electron gun, but projects three separate electron beams from three in-line sources. The beams go through vertical slits, called an aperture grille, and land on the TV screen.

Since our tube had one electron gun, but three beams, we called it Trinitron. We hold the basic patents on it.

*Some people say the Japanese never invented anything.*

I think Trinitron is a real big invention. In fact, we think it's the best kind of picture tube made.

*And now your latest product is the video-cassette recorder system?*

Yes.

*Isn't it expensive?*

It sells for about \$1,400. I think our price will come down in the future. Then everybody will have one in his home. It's just like the tape recorder, which at first cost nearly \$1,000 and now sells for a fraction of that.

So we don't worry about the price, because it can be lowered by technological innovation—and quantity. Of the two, of course, technological innovation is more important.

*Why will people want a video-cassette?*

You can use it to record any TV program you want, black and white or color, and play it back later.

If you use the time switch, it will automatically record any program

while you're away, so you can look at it at your convenience.

My family uses one almost every day. My daughter, for example, has school studies and sports. So she sets the time switch to record her favorite programs. Then, when she has time, she puts the cassette in the machine and plays the program back.

Companies like IBM and Coca-Cola use video-cassettes for training purposes.

Ford Motor Co. bought more than 4,000 of our machines for its dealers. It sends them training or sales programs on cassettes, and the dealers and their employees can play them back.

Ford used to send out big, thick instructional manuals, but very few people read them.

*What's in the future for Sony?*

We believe there's much room for innovation with color TV and the video-cassettes. So the two businesses will be the major ones for our company for maybe the next 20 years.

*Apart from business, what are your personal pursuits?*

I like golf. It's good for me, because I need the exercise. I also like to listen to music—concerts and operas.

Naturally, I have good audio equipment in my home. I also have some old musical instruments, music boxes and a very old player piano.

*Looking back on your business career, what are some of the wisest decisions you think you have made?*

I think the biggest decision I made was when we brought out the transistor radio. I was approached by an American company that wanted to buy 100,000 of them—if we would put their name on the radio.

So I sent a cable to Tokyo.

Tokyo said: "That's a big order. Let's take it."

But I didn't think we should. I insisted that we should put the Sony name on the radio.

The American firm said: "Look, we have a good name, a good reputation, and if you put our name on the radio, we can sell it."

I said we wanted to put the Sony name on our radio.



The Americans said: "Nobody knows Sony. Why use such an unknown name? We have a 50-year history. Why not use it?"

So I said:

"We are just at the beginning of our 50-year history."

I think if we had accepted the American offer, Sony might never have become the household name that it is now.

*What has been the most critical period for Sony?*

Actually, for me, every day is critical.

Every day, we are making decisions. If I make one mistake, it will show up 15 years from now. When a company grows to such a scale as ours, a mistake won't be noticeable tomorrow. If it did, it would be easy to correct.

But we plan a long way ahead. A bad decision made today will hurt us a decade later.

That's a big responsibility for management.

*Are there any major differences between American and Japanese management?*

Yes, two big differences.

First, the employment system is different.

If we hire someone, we will not fire him. That's why, once a man is hired, we will give him training, move him to many different types of jobs, so he can get more general knowledge and experience.

Then, depending upon his ability, he can go up the ladder.

In Japan, we look after our people from a long-range point of view. We run our company very conservatively. We won't take on a project that involves hiring people unless we're very sure of ourselves.

In the United States, you can hire and lay off. So, management may tend to make snap decisions. If a decision turns out to be wrong, management can always fire the people it hired.

However, even though our operation in the United States—with a manufacturing facility in San Diego—is very Americanized, we hope to avoid laying anyone off.

*What's the other major difference?*

Decision-making is quite different. For example, our company is not a two-man company, Mr. Ibuka and me.

We have a group decision system. At our executive meetings, each man expresses himself freely. And we have men of different backgrounds, different temperament and different professional skills taking part.

In that way, we can reach good decisions.

Of course, top management must take responsibility for them. But they are reached differently in a Japanese company.

Maybe we should call ours a con-  
anese company.

The American system depends more on individual leadership. Sometimes, if the individual is very capable, it's good. But on the other hand, if he makes mistakes, it's dangerous.

*I've heard several stories about how much money your company started with—\$500, or \$550 or \$1,200. How much was it?*

It was about \$528 American. I think that money was mostly Mr. Ibuka's.

At that time, we were so small a company that no bank was willing to lend us money. So we invited many, many friends to invest in the company, but only a few did.

*Where did you get additional backing?*

Fortunately, my father was in the *sake* business. So we went to him and borrowed money. And that was a great help. But as the company was growing, we always needed money, so we were never able to return any to my father.

We gave him stock instead.

And that turned out fortunately for him. He wound up as our biggest stockholder. **END**

REPRINTS of "Lessons of Leadership: Part III—Akio Morita of Sony Corp." may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.

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## How to Be a Success in Retirement

Start your planning now, advises an authority on aging; and when the time comes, don't watch life as if it were a soap opera, but help write the script

If you are a successful businessman dreading retirement, never fear. It can be a breeze.

There are yardsticks for judging whether you will make the adjustment once you quit working. An authority on successful aging, Dr. Eric Pfeiffer, discusses them in this NATION'S BUSINESS interview.

He tells exactly when you should start planning for retirement, where he feels corporate preretirement counseling has failed, and why business people are able to work the long hours they do. He also blows up some well-entrenched myths about subjects including sexual and intellectual activity in later life.

Dr. Pfeiffer, a psychiatrist and educator, is director of the Older Americans Resources and Services Program at Duke University's Center for the Study of Aging and Human Development. He recently chaired a national conference on successful aging.

**Many executives' and entrepreneurs' whole lives are wrapped up in their**



Dr. Eric Pfeiffer at Duke University, where he is directing intensive studies of the problems of growing old. His research points to solutions of many of those problems.



**businesses. The thought of retirement is repugnant to them. Don't they face special difficulties when they have to quit working?**

No. That group of people perhaps has the easiest time in retirement.

Retirement requires adjustment on the part of every person. There often is a loss of status and identity. But executives are perhaps better off in terms of the capacity to adapt because, in the business world, those who have been successful have gone through a number of changes in status.

How well a person adapts to retirement depends on how well he has adapted to other kinds of change.

Also, top business people often have a good deal of flexibility as to when and how they retire. They can choose gradual retirement—one of the most desirable ways to retire—by staying on as a director of the company, for example. They don't have to come to a screeching halt.

I also have the hunch that many of my business acquaintances get more training in leisure, more opportunity throughout their working years to combine work and leisure activities in terms of a free-flowing intermix, than other people do. For many businessmen, there is no clear dividing line between the chore of work and the fun of interaction with other people.

**You mean some aspects of work are so exhilarating for the businessman that it doesn't seem like work?**

Many aspects of business are like a game, in a way. The competition is not too different from that in an athletic contest. For example, the acquisition of another company, the building of a company, expansion into new areas, seeking new venture capital, making a big sale.

It's the sort of game that some can continue into retirement. There is a lot of demand for successful retired businessmen to serve as consultants, or on boards of other companies that need their expertise.

When one's work has been exciting, this excitement is likely to carry over into retirement years.

**Do you see earlier and earlier retirement ahead for business people?**

There is clearly a trend nationally toward lower retirement ages for much of the laboring force, as well as toward a shorter workweek. But this has very little application to the world of business management.

Most business and professional people I know work 60 or 70 hours a week, and I don't see any trend toward earlier retirement for them. But remember, these long workweeks and long stretches of working years have interlaced among them a combination of fun with business transactions.

Without this interlacing, I don't think it would be possible to go at such a pace for as many hours or as many years.

**Is mandatory retirement at 65 a good thing?**

I'm almost certain that it's a bad thing. Any time you legislate what an individual should do, using a yardstick that does not take into consideration his interests and capacities, you have a bad thing.

It would be very useful if we could persuade large corporations, large universities and, above all, large labor unions to opt for flexible retirement.

One businessman may be performing at an optimal level at 65, and to retire him at that time could be a great error. Another businessman at 65 may not have been productive since he was 55. Here the management is delighted to get rid of him at 65 because they have wanted to since 55. Now they can say: "Mr. Jones your retirement age has come," rather than saying: "Mr. Jones, you are incompetent to carry out this job."

**Will we eventually be able to devise a surefire means of saying who has remained productive enough and who has not?**

There are certain natural selection processes. For example, boxers and baseball players clearly become non-competitive—not incompetent—after certain ages.

But finding yardsticks that are fair and humane for all people will be most difficult.

**In your book, "Behavior and Adaptation in Late Life," you mention a compilation of 100 most influential Americans, one third of whom who**

were 65 or older. This certainly indicates advancing age doesn't necessarily mean a loss of influence.

True. In U.S. Congress committees, for example, seniority rules. In the financial world, monetary power is often concentrated in the hands of older persons. In the field of arts and letters, older people continue to be

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**"Executives are perhaps better off in terms of capacity to adapt [to retirement] because . . . those who have been successful have gone through a number of changes in status."**

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enormously productive. The majority of older persons are capable of continuing active and meaningful involvement in community, political and business life.

I am very concerned that older Americans are sometimes portrayed as persons who invariably are disabled, lonely, desolate or impaired. The majority of them are not unhappy or depressed.

But on the other hand, if you are looking at this group from the point of view of the number needing help, there is in fact a sizable proportion that develops emotional problems, particularly depressions.

That has to be seen not as a need for lamentation but as a need for intervention and treatment. And we have found that older people respond to psychiatric treatment as well as any other age group does.

**Is the mind something like a muscle that needs to be used so it won't atrophy?**





# 62nd ANNUAL MEETING-APRIL 28-29-30, 1974

The 62nd Annual Meeting of the American Society of Human Genetics will be held at the U.S. Capitol Building in Washington, D.C., on April 28-29-30, 1974. The meeting will be held in the large, modern auditorium of the U.S. Capitol Building, which is one of the most beautiful and historic buildings in the world. The meeting will be held in the large, modern auditorium of the U.S. Capitol Building, which is one of the most beautiful and historic buildings in the world.

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## How to Be a Success in Retirement *continued*

Very much so. Of course, some of us don't use all of our capacities even in our younger years. But it is awfully important to utilize the intellectual skills. They will, in fact, atrophy. A gerontologist years ago said people don't wear out as much as they rust out.

Having to present themselves to the outside world is a powerful incentive for older people to dress up mentally and physically.

Successfully aging persons are those who have made the decision to remain meaningfully involved, or in training—physically, mentally and socially. And I can't overemphasize the latter.

**When should a business executive start planning for retirement? At 50, or 60, or when?**

Now.

**You mean whatever his age?**

Very much so. In the business world, long-term planning is crucial to any kind of success.

You have to plan for retirement activities by practicing leisure activities. Many people who have been entirely work-oriented come to retirement and find that they are not fit for leisure, that they have no training in the use of leisure time and therefore cannot enjoy it.

So some kind of training in leisure activity is necessary, and necessary now.

It is probably too late at 65.

**Have company preretirement plans been successful, by and large?**

In general, preretirement counseling programs have been terribly unsuccessful. The people they attract are those who already have planned for retirement.

There has not been enough experimentation. People become almost more diverse as they grow older, rather than more uniform. Their needs vary enormously. Preretirement counseling programs often have been geared simply to one imagined layer of the population that a company contains. But the company contains layer upon layer of very diverse subcultures.

**Is the old saw about not being able**

**to teach an old dog new tricks wrong?**

We have found that older people are very capable of learning new tricks, as it were. A number of studies here at Duke and elsewhere have indicated that intellectual performance in old age, instead of falling off, tends to remain level until just prior to death.

**You also have done work in the area of sexual interest and activity among older people. What do your studies show?**

There is enormous variability in the sexual interest and activity of people of all ages. And there is no particular age when there is no interest or activity. In fact, in some, there is increasing sexual interest and activity in later life.

**Would someone who was sexually active early in life tend to be active later?**

There is a myth that people who are sexually active in early life wear themselves out. But there is absolutely no basis for that assumption. In fact, those people who continue to be active sexually for the longest period of time have been those to whom sex life has been important earlier.

**You have been attempting at Duke to determine the characteristics of people who will be successful in retirement, haven't you?**

The specific thing I've been quite concerned with has been trying to provide a mental health checkup for the aging—not the aged—which allows a person to find out whether he has problem areas.

In this checkup we assess important areas of human functioning—how a person feels about himself, how he is oriented toward his future, how he is oriented toward his work and other activities, what his past record of adaptation has been, what his mechanisms of adaptation are currently.

After an interview we can say to the person: "Hey, I think you are going to do all right in retirement." Or we can suggest certain kinds of modifications.

There is a real need today for a dissemination of the fact that older people who get into mental and emo-

tional difficulty can benefit from professional help or social interaction.

**Social interaction—what's that?**

Regular, intense, fairly intimate social contact with persons other than one's own immediate family. Dining, talking, sharing experiences, exchanging goods, services, favors, emotions, feelings.

**Just what are the key characteristics that indicate a person will make it in retirement?**

Adaptability, to be sure. But more important, a sense of active mastery

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"Many people . . . come to retirement and find that they are not fit for leisure, that they have no training in the use of leisure time and therefore cannot enjoy it."

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of the next thing that is coming in his life, an active intrusion on the environment, so to speak.

There are some awfully good examples among persons we are studying. Since 1954 we have followed a group of very outstanding older persons who have now outlived their life expectancies by a good deal. We find they are really quite deliberate in handling their lives.

They don't just walk. They walk in order to exercise and in order to meet people, to have social interaction and stretch their minds as well as their legs. It is almost automatic. They seem to have built into them this determination to do things because they want to. They don't sit back and watch life as if it were a soap opera.



they participate in writing the script.

Of course, they can't control everything. There are losses. As one lady who lived in Rochester, N.Y., said: "All my friends either have gone to heaven or to Florida." But the people we have been following have picked up new business activities, new hobbies, new social activities. They've acquired new friends and new relationships.

**Is it true that we all have biological clocks inside us that predetermine how long we are going to live?**

Well, each species has a range of maximum longevity. Mice, cats, dogs all have a different life expectancy. Red blood cells have a life of 120 days, for example. After that they die and fall apart. Our life expectancy is something like 70 to 90 years, with some longer exceptions, of course.

The current challenge is whether someday this clock can be reset through biochemical intervention—not merely postponing the time of death, but extending the period of functional life.

**So someone will be able to be as active at 70 as at 50?**

Yes, I think the last five years of life will always include a certain amount of decline of physical functions, but the length of time prior to these last few years is what we are talking about.

Researchers have been able to extend the life expectancy of mice by about 20 per cent. Extending man's life span by this amount would produce enormous social and economic changes.

The composition of the population would be entirely different. The distribution between productive years and leisure years would have to be drastically rearranged, as would many other social institutions.

Retirement at age 65 would be thrown into a cocked hat. **END**

REPRINTS of "How to Be a Success in Retirement" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.

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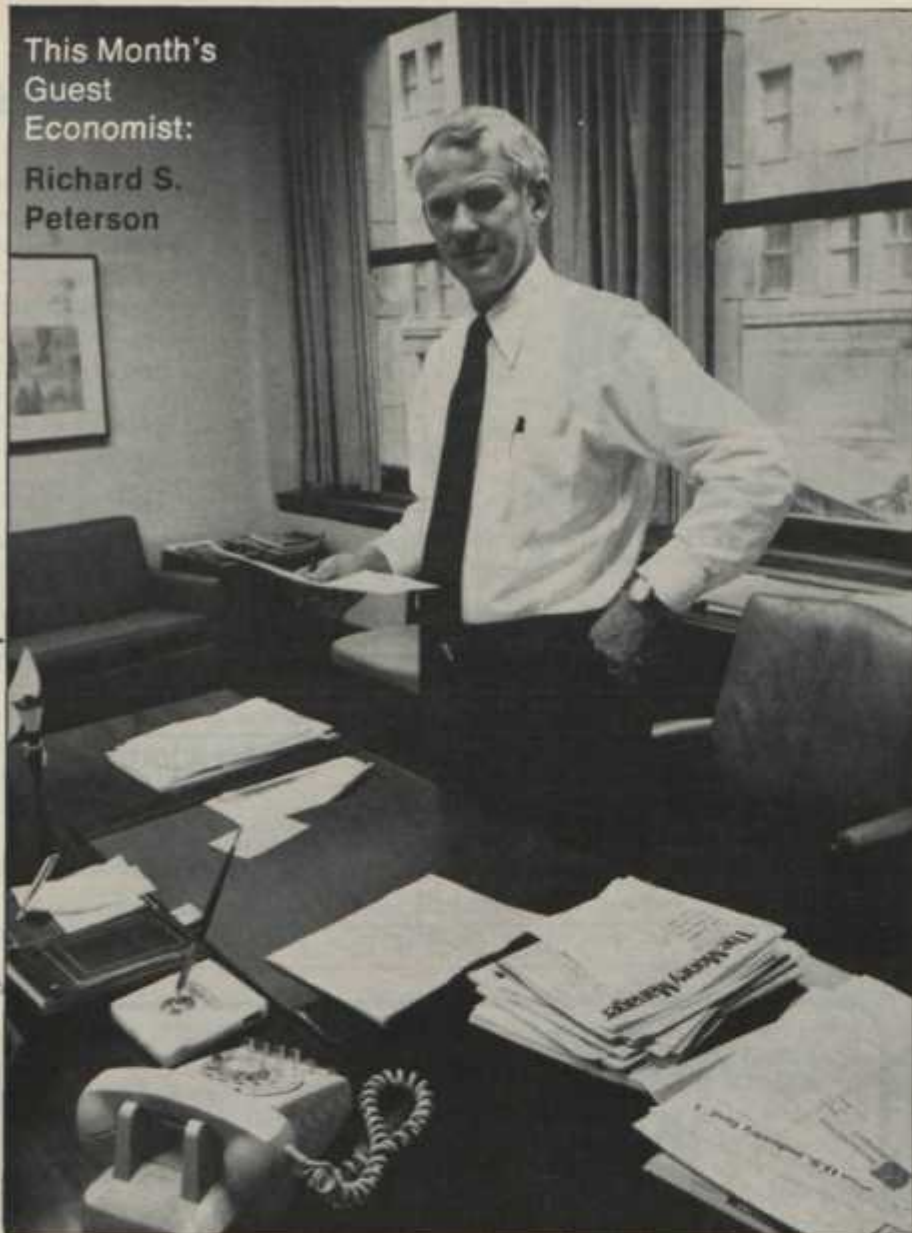
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This Month's  
Guest  
Economist:  
Richard S.  
Peterson



Richard S. Peterson is vice president and economist,  
Continental Illinois National Bank and Trust Co.

## The Federal Budget Guessing Game

The federal budget for fiscal year 1975 will be released late next month, so it's time to start the annual exercise of guessing what the numbers will show.

It seems likely there will be few surprises.

The fiscal 1974 budget, released last January, gave some reasonably precise spending numbers for fiscal 1975—the first time a budget has done so for the following fiscal year.

Thus, any major changes in the level and breakdown of spending are likely to be those due to compromises between Congress and the Administration on priorities.

To a large degree, the estimated level of receipts will depend on the level of economic activity rather than on any significant tax rate change. It is becoming increasingly clear that changes in corporate and personal income tax rates are politically im-

possible because of the lack of any consensus among authorities as to the effectiveness of their timing.

However, the economic outlook will probably have only a modest influence in determining spending levels for the year ahead. Spending is increasingly being dominated by the need to solve longer-term problems and not as a tool to fight cyclical ups and downs. An increasing share of total budget outlays is in programs that are relatively uncontrollable, thus allowing little room for discretionary changes on a year-to-year basis.

In the last year, fiscal policy has taken a more restrictive stance, to slow the rapid expansion in business activity. The budget deficit in this fiscal year is projected to decline sharply to \$2.7 billion from \$14.4 billion in the last fiscal year and around \$23 billion for the previous two fiscal years. Indeed, the budget may even be in surplus for the first time since fiscal 1969, because tax receipts are running somewhat ahead of official expectations.

The major reason for the reduced deficit has been sharply rising corporate and personal income tax receipts, reflecting in large part the rapid rate of inflation.

At the same time, there has been virtually no slowing in the rate of growth of outlays. Even if budget outlays are held within the limits set by the Nixon Administration—and this seems increasingly likely—the rise in spending this fiscal year will be a substantial \$22 billion, considerably greater than the increase in the last fiscal year.

Nonetheless, the impact of a sharply reduced deficit should not be completely disregarded.

It means the rise in tax receipts will act to drain funds out of the private sector and sharply reduce the Treasury's borrowing needs. Moreover, the progressive nature of the personal income tax structure, and the fact that rising incomes are continually pushing taxpayers into higher tax brackets, mean that a greater share of personal income is being



taxed. In addition, Social Security taxes will be raised sharply on Jan. 1.

What are the spending prospects for fiscal year 1975 which begins next July 1? It seems likely that spending must rise by at least \$20 billion to the \$288 billion level. Programs relatively uncontrollable under present law will account for at least half of this increase and will be concentrated in increasing Social Security benefits and other income security programs, whether directly or through grants-in-aid to state and local governments. Defense spending is not likely to rise substantially, despite the Administration's desire.

It seems probable that the Administration again will propose some tax reforms, but in an election year very little progress can be expected. It is also likely that if any tax-reform bill passes it will mean some loss of revenues. A slower rise in economic activity during the next year will also mean slower growth in federal revenues. As a result, the federal budget deficit will probably increase to the \$5-billion-to-\$8-billion level in fiscal 1975.

A more spirited debate over budget planning and prospects might arise if the economy were threatened with a recession. It is true that housing starts are down sharply and consumer demands for durable goods have weakened. However, continued strong gains in business spending for plant and equipment, plus a growing trade surplus, should keep economic activity rising, although at a considerably slower pace than in 1973.

Some increase in unemployment early next year can be expected at the same time that inflation (while abating somewhat) will remain a problem.

If this situation prevails, it seems likely that Congress would push for a more stimulative policy than is currently projected.

Nonetheless, it seems improbable that any significant alteration in policies reflected in the budget at this time will take place. As in the past, the major actions probably would be

to step up spending programs already under way.

It appears, however, that the Administration will continue to rely upon the existing tax structure, which will automatically slow the growth of re-

ceipts as incomes rise at a slower pace.

This will inject liquidity into the private sector and should mean stronger private spending gains as 1974 progresses.

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## letters

### How Many Unfilled Jobs?

• The box item entitled "Work for Those Who Want It" [November], which reported that a survey showed more than three million unfilled jobs, raises a question concerning the quality of the data presented which cannot be assessed except in terms of the professional competence of those responsible and a detailed description of their methodology.

The same job opening can be advertised in a number of newspapers. An employer can file an opening for a given job simultaneously with public and private employment agencies. He can also publicize it on premises.

Even if an unduplicated count of unfilled openings were available, in how many jobs is pay solely on a commission basis? How many are temporary or part-time? How many offer wages and/or fringes and working conditions substantially below prevailing levels?

Also, unemployed job-seekers often use more than one method of searching for suitable jobs.

According to the Bureau of Labor Statistics, U.S. Department of Labor, they averaged 1.5 methods in September. Their most popular method (71.3 per cent used it) was to go to employers directly. Second most popular (27.7 per cent) was placing or answering ads. Third: was using the free services of public employment offices (22.5 per cent). Fourth: friends or relatives (12.9 per cent). Except for the miscellaneous category (6.0 per cent), the least popular method was private employment agencies (8.2 per cent).

WILLIAM PAPIER

Secretary  
Ohio State Advisory Council for Employment Security  
Columbus, Ohio

#### A different view

• Re "Be Different—and Get Ahead" by Charles W. Day [October]. It is a nonsequitur to conclude that because some unsuccessful people do something, all people who aspire to success should therefore avoid that something. Neither the company that affords Mr. Day his job, nor the nation that produced this

company, was built by men who shared the views expressed in his article.

TED N. BUSCH

Sales Manager  
Castell Equipment Co., Inc.  
Minneapolis, Minn.

#### Energy alternatives

• Re "The Man in the Middle of the Energy Crunch" [October]. Congratulations on bringing into focus the urgency of improving energy resource activities, an area in which my company is attempting to get under way. Articles such as yours should stimulate interest in developing sound and practical energy alternatives.

RONALD A. ZUCKERMAN

President  
Energy Research Corp.  
Galesburg, Ill.

#### Unhealthy health program?

• Re "Managing the Biggest of the Big Spenders" [October] and what Health, Education and Welfare Secretary Caspar W. Weinberger has to say about a national health insurance program.

America's financial backbone is provided by the middle-income class of people—among many of whom both husband and wife work to meet the "average" standard of living.

Yet our welfare folks receive benefits such as food stamps, housing and medical and dental care, and can stay at home. The welfare check is regular and they don't have to fight weather conditions nor pay for automobiles, gas, car insurance and other necessities as workers do. They pay no income tax but still reap benefits which we pay for.

By the time our income tax, clothing, transportation, etc., is paid for, welfare spending power is greater than the average workingman's.

Who would finance this health insurance program? Naturally, the working class of people.

I would say about 98 per cent of businesses have some type of group health insurance. This program, if established, would just be another case of the government dipping into business' and the workingman's pockets.

MRS. ROBERT HALE

Secretary  
Olathe, Kan.



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# ROOF PROBLEMS ?

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## Waterways Could Help Cities' Traffic Flow

Roadbeds are already in place for systems that could be used to transport millions of passengers in some 30 cities.

These roadbeds are really waterbeds—streams, lakes and coastal bays and estuaries—and hovercraft and hydrofoil manufacturers are eyeing future contracts from state and federal transportation agencies to prove their feasibility for mass transit.

Hovermarine Corp., Pittsburgh, Pa., is constructing British-designed Hoverferries in Titusville, Fla., with the first due to be completed next spring. English Hoverferries are now in service in nine countries.

Currently, Hovermarine is working with the Florida Department of Transportation to obtain a federal grant for a waterway transit demonstration program whose site would

be Miami, Tampa or Jacksonville.

The Hoverferry is 51 feet long and carries 60 passengers. Resting on a cushion of air, it has a top speed of 40 miles per hour. It uses conventional underwater propellers.

Top contender in the hydrofoil field—hydrofoils ride on wings beneath their hulls, rather than air cushions—is the Boeing Co.

Boeing makes a water-jet-powered craft it claims has an all-weather capability and can cruise over 12-foot-high waves at speeds of up to 45 knots.

Boeing officials have studied transit problems in San Francisco, Seattle and New York City, and report that use of water mass transit would bring significant savings in time and cost to passengers.

In San Francisco, the study found, a conventional ferry that takes 45

minutes to travel 13 miles between the city and Marin County and has a \$2 fare (1.4 million fares are collected yearly) could be supplanted by a hydrofoil which would make the trip in 25 minutes for a \$1.50 fare. A bus ride (fare: \$1.50) takes an hour and 45 minutes. •

### How Concrete Can Become Transparent

A portable radar unit that looks through soil found serious deterioration recently in a concrete column supporting a Buffalo, N.Y., highway overpass.

The same unit detected the body of a 50-pound dog buried nearly a foot deep in sandy loam.

This "looking down" radar was developed by Buffalo's Calspan Corp. in association with the Army, which has been seeking a means of locating plastic mines—those that contain no metal parts and can't be spotted by conventional mine detectors.

As a spin-off, Calspan sees a host of nonmilitary applications such as mapping the exact location and depth of underground sewers and water lines, which can be encased in metal or plastic and are as small as two inches in diameter.

Anthony V. Alongi, a Calspan staff scientist, envisions a version of the portable radar, which weighs 20 pounds, being used to monitor the subsurface conditions of highways while traveling at 60 miles per hour.

"Although military versions are intended primarily for objects buried no more than a foot or two, we can make trade-offs which will permit penetration to many feet for civilian projects," he explains.

"Concrete is, in effect, transparent to the radar. Looking down through a concrete highway, it can pick up the tie rods beneath, as well as any voids in the subsurface caused by the underside of the concrete leaching away or by hidden water undermining part of the roadway's foundation." •

## Think of Me. as a tax advantage.



Everybody thinks of Maine in terms of its great natural beauty. But as of October 3, there's another way to look at Maine. Because sweeping tax reforms favoring business development have become law. The 106th Legislature not only reformed the property tax to lessen the burden on property owners, but also repealed the sales tax on manufacturing and research equipment. One more thing that should set your accountants buzzing is the elimination of the inventory tax over the next 3 years. And beyond all this, Maine has consolidated the functions of state mortgage guarantee programs under one roof. There's even a program to advance 100 percent of the funds necessary for buildings now being constructed statewide in anticipation of your expansion. Why all this backing? Simple economics: We help you grow; you help Me. grow. For more information, write on your company letterhead giving information about your product line to James K. Keefe, Commissioner, Department of Commerce and Industry, State House, Room 4369, Augusta, Me. 04330.

## Tax Reform is now law in The Great State of Maine.



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# When You Lose Touch With the Rank and File...

... You're headed for trouble, say many executives; here are some ways to avoid a gap between the bridge and the engine room

Management consultant Richard S. Buse, president of Patrick B. Comer Associates, Inc., Greensboro, N.C., tells about the executives of an 1,800-man plant who decided to set up maintenance standards and priorities. Industrial engineers made their study and recommendations. The maintenance crew was assembled. Starting on a certain date, it was told, here was how the department would be run.

Reaction was swift, results decisive: Wide-ranging anger and bitterness and an immediate slowdown.

The snafu jolted management into the action it should have taken in the first place. In a series of meetings, the importance and values of the new system were explained. Employees were convinced that paychecks wouldn't be adversely affected, that opportunities would increase. Then, workers were permitted to speak their minds and blow off steam.

This time the change was accepted; cooperation replaced hostility and anticipated gains were eventually realized. But the loss through failure to build an early pipeline to the ranks will never be recovered.

Failure to take the pulse of your people can be damaging indeed. Emily Halliday, office manager of Morgan Personnel Agency, Inc., which serves New York's brokerage industry, sees clogged pipelines as the cause behind innumerable employee resignations.

"Nine out of 10 complaints boil down to poor communications—management's inability to get to the roots of what motivates and demotivates people," she says.

Saul D. Astor, president of Management Safeguards, Inc., a New York City-based security firm, goes a step further. "Failure to gauge employee attitudes leads to morale breakdown. This makes it easy for weak-willed people to rationalize disloyalty and dishonesty," he states.

C. Howard Hardesty Jr., an executive vice president of Continental Oil Co., unhappily recalls one situation

DRAWINGS: CHARLES A. FOSTER



*It's hearing that counts*



*Take time to take pulse*

where line people tried hard to convey problems and gripes to a team of roving troubleshooters. The troubleshooters "listened to what the employees said, but they didn't really hear, so it never bubbled upwards," Mr. Hardesty says. "Listening isn't enough. It's the hearing that counts."

In this case, the failure to hear resulted in a lengthy work stoppage.

## How to keep in touch

A variety of strategies exist for getting accurate information on the attitudes of middle managers, supervisors and line personnel.

"Most important," Mr. Hardesty stresses, "is top



## When You Lose Touch With the Rank and File *continued*



management's need to identify the vastness of the task and to see it as a problem. Next step is to structure your organization with the problem in mind. As companies grow, it's in the nature of the beast for close contact to be lost. There's a tendency to overcentralize, set up too many tiers."

Kay C. Lambeth, president, Erwin-Lambeth, Inc., a Southern custom furniture maker, agrees. Asked: "How does a busy top executive find time to gauge employee feelings?" she replies: "You take the time. You realize that reading the pulse of your people is a number one priority."

One good way to get readings, Mr. Hardesty suggests, is through letters to employees. Conoco uses this device to tell people about major events, safety programs, systems changes. Personnel liaison experts then follow up by talking with employees on the job, listening to reactions, assessing responses. Some companies invite workers to take suggestions and grievances directly to the president. At the Cooper-Bessemer plant in Mt. Vernon, Ohio, a self-sealing letter form is put in each issue of the company publication. Letters must be signed—a safeguard against pranksters and cranks.

Nucor Corp., steel joist producer, uses periodic plant dinners as a major means of upward communication. "After dinner," notes F. Kenneth Iverson, president and chief executive officer, "wide-open discussion takes place with just one ground rule enforced—no personalities."

Informal meetings are particularly effective in getting supervisors to speak their minds, most executives agree. "It gives them a sense of belonging," Mr. Astor observes. "It's an excellent way to get problems and grievances out into the open."

He calls to mind one case where serious inventory shortages existed over a period of months. One day a seminar was set up to deal with the problem. Little

else was done, yet the shortages dropped dramatically. Top management got the message. Employees needed simply to realize that management was aware of the problem and deeply concerned.

To demonstrate top executive concern, Conoco runs a motivation school. Employees are pulled off their jobs periodically to attend sessions which range from three days to a week. Problems are discussed, gripes hashed out. Consensus-type thinking is encouraged, credit and criticism avoided. When free expression is honestly sought, the company finds, people are quick to respond.

The program provides a forum for airing problems and complaints; at the same time it clues management in regarding important employee concerns.

### **Cleaning the pipeline**

Consultant Buse cites three ways to keep the pipeline clear:

1. Executive-run meetings with employees and supervisors.
2. Employee opinion surveys.
3. A functional open-door policy.

The three work best in combination, he stresses.

Meetings, Mr. Buse says, should be limited to 10 to 15 people, mixing job classifications and departments. They should last no more than 45 minutes. Specifics should be discussed; supervisors and line employees should be asked about their jobs, their problems and ideas for improvement.

When action is taken on problems and ideas that are aired, it convinces employees that management is sincere. Which, in turn, encourages frank communication.

Surveys are valuable, Mr. Buse reports, because they protect worker anonymity. "An opinion survey cuts through the hierarchy, gets right to the point. Often, what employees complain about verbally is merely symptomatic of far-removed, deep-seated problems."

Providing an open-door policy that is something more than lip service, he adds, requires strong management conviction and support. It implies an end to the time-worn concept of backing the foreman, right or wrong. "A bad foreman," the consultant contends, "can wreck an organization."

Management, he says, must get the idea across to employees that they have free access to higher management. At the same time, they're encouraged to talk over problems with their foreman first.

"Few presidents have time to rely exclusively on first-hand, person-to-person communication," notes New York City management consultant Henry O. Golightly, president of Golightly & Co. International, Inc. "Still, no president can afford to ignore this method. Nothing else he does will bring him as close to the rank and file."

By the nature of his job, he adds, the boss rarely hears the blunt, hard truth. Managers tend to paint a rosy picture. They don't actually lie, merely apply bright colors and ignore the dark. If you don't get into the thick of it yourself, the version you hear is apt to be distorted, he thinks.

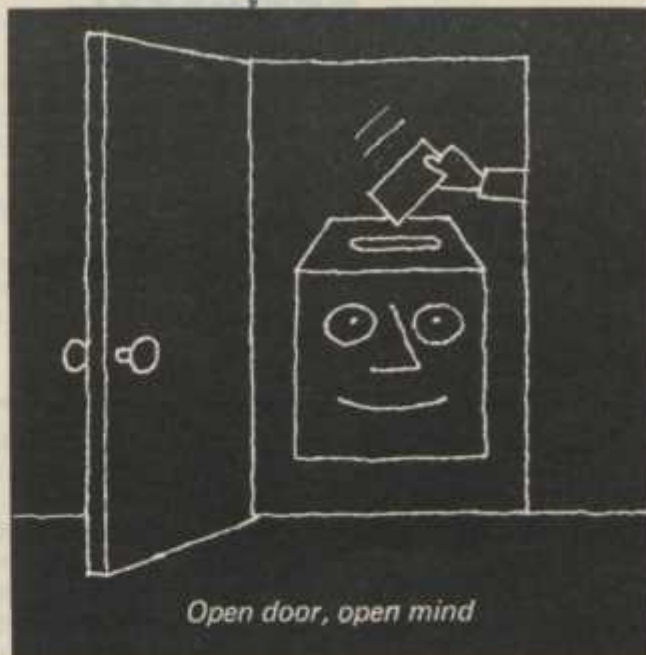


Have



*Know what's bugging him*

Have



*Open door, open mind*

Most top executives try to get around the office or plant whenever possible and talk directly to people. Nucor Corp.'s Mr. Iverson knows a surprising number of his 1,800 employees by name. Mrs. Lambeth likes to go through the furniture factory at least once a day. She touches base frequently with other members of the top team. If she can't make the rounds herself, the chairman or executive vice president usually takes over the task.

Following this policy sometimes uncovers oddball tribulations. Some time ago Mr. Iverson decided to outfit truck drivers with "snappy" uniforms. "Outside of our salesmen," he told them, "you're the only company representatives our customers see."

Eisenhower jackets, special shirts and ties were provided. Shortly after, Mr. Iverson received an anxious letter from a worker's wife. She was worried about the effect her husband's new look would have on the girls at the stops he made. At least get rid of the neckties, she pleaded.

The president's close relationship with his people enabled him to talk over the problem with the driver and arrive at a compromise solution. He agreed to wear the necktie when he drove his truck, but to leave it in his locker when he went home.

#### **Do they mean what they say?**

How can you assess what you're told? There's no foolproof system. Says Erwin-Lambeth's Executive Vice President R.S. Powell: "You can't measure attitudes without applying judgment based on experience and intuition."

Patience, adds Chairman J.E. Lambeth Jr., is essential in reading attitudes accurately.

"Half truths resulting from impatience in getting the whole story create more misunderstanding than any other factor I know," he says.

Another key factor, says Conoco's Personnel Vice President A.B. Slaybaugh, is an executive's sour response to bad news. "If your people get the message that such news angers or irritates you, they're liable to think twice before leveling next time. Bad news, like any other information, should be dealt with positively and constructively."

However beneficial it may be to deal directly with people, realistically, most top executives are swamped with other high priorities. If such is the case, Mr. Hardesty notes, the executives should delegate person-to-person communication and keep in close touch with the delegates.

The personnel department, Mr. Slaybaugh believes, should be a top manager's right arm. "An executive should spend 70 per cent of his time, if he can, listening to people. If he can't, personnel should do it for him. A personnel manager's chief function is to listen—and hear."

How can you get people to tell you what they really feel?

Mr. Slaybaugh emphasizes the need for a positive approach to this business of problems and gripes.

"The trick," says Mr. Slaybaugh, "is to reward people for suggestions which improve any aspect of the operation. Recognition of some sort—a letter, money, a special commendation—should follow any good idea whether it directly saves money or not. Experience proves that if the climate is right for free expression, most employees will speak up." —RAYMOND DREYFACK

REPRINTS of "When You Lose Touch With the Rank and File . . ." may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.



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# business: a look ahead

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BY GROVER HEIMAN  
Associate Editor

## Whither Overseas Insurance for Investments?

A sharp battle is shaping up in Congress on how to provide insurance for overseas investments.

At stake is the fate of the Overseas Private Investment Corp., an independent government agency which insures companies investing in underdeveloped countries against political risks such as expropriation.

Congress established OPIC in 1971. The agency's authority to write new insurance policies will expire next June 30.

A report from the Senate Foreign Relations Subcommittee on Multinational Corporations has concluded that selling such insurance doesn't materially stimulate investment in, or otherwise aid the development of, foreign countries. But, the report said, it increases the likelihood of U.S. involvement in their internal affairs. The Senate group favors phasing out OPIC within five years.

The House Foreign Affairs Committee's

Subcommittee on Economic Policy, however, recently issued a very favorable report on OPIC, and recommended extending its authority for two more years so it can continue efforts to form an overseas investment insurance group with private industry.

The business community generally agrees that OPIC should be given several years to try putting together a syndicate arrangement with U.S. and foreign insurance companies, with an eye to assessing the feasibility of transferring the program entirely to the private sector.

Private insurance companies have made it known that they must be persuaded, on the basis of a trial period, that such a program can be profitable for them.

The government has been providing insurance of this type, in some form, for 25 years. In that period, it has earned over \$180 million in premiums. Losses have been less than \$30 million.

## Paper Supply: Nothing to Write Home About

Most types of paper will be in tight supply at least until 1977, experts say, and there's no assurance the situation will improve later.

But it's not as critical as it could have been, because of efforts by the paper industry over the past year and others programmed to take place in the next three years.

In 1972, the American Paper Institute surveyed its industry and found that the average annual growth of all types of paper production would be 1.4 per cent annually through 1975.

For 1973, the industry reported a 2.5 per cent increase in production. To accomplish this, papermakers reopened some closed plants, kept open others slated to close and improved existing plants. Experts warn, however, that production increases through efforts of this nature can't necessarily be continued.

A recently completed Paper Institute survey shows a projected annual growth of 2.4 per cent through 1976. This will come as a

result of the addition of eight new mills and 22 paper machines.

With plants running at capacity, even a minor recession in the next few years won't make an appreciable difference in supply, says Peter Oliver, an Arthur D. Little, Inc., consultant.

Normally, the industry's growth rate keeps pace with the economy's, having averaged 3.8 per cent over the past 18 years. In the 1960s and early 1970s there was an excess of capacity, which is no longer true.

The reason more plant capacity isn't planned, Mr. Oliver finds, is that the paper industry views the rate of return as out of balance with the rate of risk involved. Other critical factors are environmental restrictions, the energy crunch and uncertainty over price controls and tariffs.

Mr. Oliver says that while most types of paper will be available in coming years, growing world-wide demand will continue to create some shortages, as in newsprint.



## Regulating the Energy Regulators

The long-awaited study of federal energy regulations is now under way, but it will be some time before recommendations are finalized for the Nixon Administration.

The President announced the study, to be conducted by a group of officials from federal agencies, in his June 29 Energy Message. On Oct. 15, William O. Doub, a member of the Atomic Energy Commission who is chairman of the group, issued a call for written statements "reflecting a wide spectrum of viewpoints concerning problems in the organization of federal energy-related regulatory activities."

## Surety Bonds Assist Small Business Bids

Small contracting firms are expected to continue to post a healthy increase in the number of contracts they win, because of surety bonds guaranteed by the Small Business Administration.

The increase, however, is not expected to be as dramatic as the nearly 300 per cent scored in the program's second year, which ended on Aug. 31. In the first year, SBA issued 3,336 guarantees that resulted in 2,080 contracts valued at \$142.7 million. Last year, with 9,797 guarantees, small concerns won 6,491 contracts having a value

The group wants to hear about any duplication of authority, inadequate coordination between federal agencies and between federal and state agencies, conflicting goals, practices that dampen technological research and failures of agencies to employ promising new technologies.

In addition to soliciting comments, the group announced plans to hold public meetings in Washington starting in mid-November and extending into this month. The study could be the first step in developing the regulatory framework for future energy production and distribution systems.

of \$415.4 million, thanks to the program.

In its third year, SBA officials predict, the agency will issue some 15,600 surety bonds which will enable small businesses to win about 10,000 contracts valued at around \$650 million.

SBA Administrator Thomas S. Kleppe says: "We knew that small firms were losing contracts for lack of backup guarantees on bid, payment or performance bonds, but we didn't realize how serious their needs were, or how much surety bond guarantees could help them."

## The "Pill" and the Planners

Long-range planners in government and business are now more certain than ever to crank into their calculations the likelihood that the national birth rate is heading for a level at which each generation will just about replace itself.

This is not a new prediction, but a recent Census Bureau survey for the federal government's National Institute of Child Health and Human Development tends to validate the trend.

It found that young wives (aged 18 to 24) anticipate having an average of 2.3 children these days. A survey a year earlier came up with the same result.

According to the Bureau, the "replacement level" is 2.2 children—which allows for those children who die before reaching reproductive age. In 1965, a Bureau survey found young wives expected to have an average of 3.1 children. The figure dropped to 2.9 in 1967.

## Travelers' Storms Over Imports May Diminish

A problem that has exasperated travelers, increased the work load of the Customs Bureau and created some ill will for trademarks, may be on its way out.

The Administration has sent Congress a draft bill that would amend the Tariff Act of 1930 to allow individuals arriving in the U.S. to bring with them, for their own use, trademarked articles in limited quantities.

There would be no change in the ban against importation of items—such as cameras, watches and cigaret lighters—that closely resemble items copyrighted or patented in the U.S. and have a name or trademark calculated to give the impression that they are manufactured here.

What it would change is the law as it affects the real thing. Now, U.S. firms may absolutely prohibit the importation for pri-

vate use of items bearing trademarks they control—even if they have authorized foreign producers to make and sell abroad goods bearing the trademarks.

The Treasury Department says this automatic exclusion of most merchandise that has a genuine U.S. trademark, without distinguishing between items arriving in commercial quantities and merchandise accompanying a traveler and intended for personal use, "has generated substantial controversy" because of its impact on Americans traveling abroad who, "in good faith," buy such articles.

The types and quantities of merchandise that could be brought into the U.S. under the bill would be specified by the Customs Bureau. All other trademarked items would remain under the protection they now have.



# How Private Is Your Tax Return?



ILLUSTRATION BY LEE HENNEFELD

dividual, or group of individuals, if its request is okayed by the White House. For example, recent Presidential executive orders have given limited inspection rights to the Senate Commerce Committee.

The President has been known to say No, too. A few years ago, Chairman Wright Patman (D.-Texas) of the House Banking and Currency Committee was turned down by President Johnson after requesting tax inspection authority. IRS describes Rep. Patman's action as a "fishing expedition."

Requests for executive orders permitting inspection of tax returns, either of an individual or an entire category of taxpayers, are not limited to Congressional committees. Every Department and agency in the Executive branch can ask for such an order. The orders are hard to come by, but in fiscal year 1973, federal Departments and agencies, outside of Treasury and IRS, peeked at more than 22,000 returns from about 6,900 taxpayers.

The biggest tax inspector by far was, as might be expected, the Justice Department.

But the list of federal inspection agencies ranges from the Agriculture Department, Defense Department and Atomic Energy Commission to the Interstate Commerce Commission, Federal Home Loan Bank Board, Securities and Exchange Commission and Tennessee Valley Authority.

The Senate Watergate hearings have heard of proposals to use IRS and income tax data for "political actions and investigations," as reported in a memo by John W. Dean III, ousted White House counsel. The same document described pressure on two Nixon appointees, former IRS Commissioners Randolph W. Thrower and Johnnie M. Walters, to cooperate with White House efforts.

However, it added, both were reluctant "to do anything with IRS that would be politically helpful."

The states, as well—through statutes and executive orders dating back to 1931—are entitled to inspect federal income tax returns. In fact, IRS has formal agreements with all the states except Texas and Nevada

Sure, you dislike filling in those federal income tax forms for your family and your business. You realize you are telling the Internal Revenue Service secrets that you would never tell your neighbor—or perhaps your wife.

But you can rest assured that this is a secret between you and IRS, right? Well, not quite.

The fact is that nowhere in the welter of print on those tax forms is there any promise that your secrets won't be shared with others. Tax secrets sometimes do get around.

In fact, some IRS officials assert these days that there is a growing sentiment for "fuller disclosure"—or making it easier for others to see your tax return.

Already, it's an open book for many who have the legal right to peek at it.

In Congress, the House Ways and Means and Senate Finance Committees, and their staffs, can do so—presumably to help them formulate new tax policy and law. So can the Joint Congressional Committee on Internal Revenue Taxation.

In the Executive branch, the President of the United States has the tax inspection right, too. It's no secret that the late Lyndon B. Johnson at times delighted in reading tax returns of certain individuals.

The President also has the power to make any and all tax returns public.

## Individuals or groups

IRS officials insist that "very few Congressional committees other than the tax writing ones" request income tax data. But any Congressional committee can obtain it on any in-



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to provide income tax data, most of which is in the form of computerized tapes.

States are supposed to use the data only to help administer their own state tax laws and there is a penalty of up to a \$1,000 fine and a year in jail for failing to keep this information confidential. Violations have been few. But the fact remains that federal tax information can be made available to Governors, state legislatures and state agencies under restricted circumstances.

## Just a fraction

All this doesn't suggest that, even as things stand today, more than a tiny fraction of the estimated 77 million federal tax returns filed each year are actually inspected outside of IRS. The chances of your being in the minority improve, of course, if you are very rich, the least bit crooked, or poor at adding and subtracting figures.

And, IRS claims: "We exercise very tight controls and do not take lightly our responsibility for maintaining the integrity of tax returns and information pertaining to such returns."

But the fact remains that confidentiality is not as rigid as it once was. Plenty of people have access to private tax data and the capability of using that data to personal advantage.

The trend seems to be toward letting it all hang out.

Some politicians, for example, would require all corporations to publicly report how much they paid in federal income tax. Present law permits a corporation to report in one lump sum all taxes paid to states and foreign governments, as well as to Uncle Sam.

Our history shows a constant conflict between those who say a man's tax return is his business—and those who say it's everybody's.

Both argue that adoption of their approach would aid in the administration of revenue laws and even encourage personal honesty.

It's something to think about, this conflict and recent tax data trends, when income tax time rolls around.

As it always does.

—ROBERT W. DIETSCH

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# How Private Is Your Tax Return?

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## editorial

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### A Useful Look Ahead

Once again, Congress is providing a whopping—11 per cent—election-year increase in Social Security benefits.

Much less publicized is the tax increase that will accompany the benefit rise. It's useful to know what it will cost you, as an employer or employee.

This year, a worker making \$10,800 paid a \$631.80 Social Security tax. The employer, of course, had to pay an equal amount for each worker.


Next year, the wage base is being raised to \$13,200. An individual making that amount or more will pay \$772.20 per year. Again, his employer will match the tax. That's an increase for each of them of \$140.40.

All this is effective Jan. 1.

Happy New Year!



# We've just made a nice little improvement in our best V-belt.



There's a new look to our TORQUE-FLEX belt these days. And the reason it looks a little different is because we've made it a lot better. We found a way to improve its reverse bend characteristics, improve its flex life and reduce bottom cracking in belts 120" long and under.

Add this to the well-known strength of TORQUE-FLEX belts, the star performers of our V-Belt line. Then add on the durability of TORQUE-FLEX belts.

And you begin to see what you get with TORQUE-FLEX belts. Cost savings ranging up to 30%, because you need fewer belts and fewer sheave grooves than with standard belts to deliver the same horsepower. Your drives are less expensive. You have fewer belt replacements. Your drives are lighter, more compact.

Talk TORQUE-FLEX with a Goodyear Technical Man. Or get the story from your nearby Goodyear distributor. For his name, write to Goodyear, Box 52, Akron, Ohio 44309.

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